Application Proof of

Shenzhen Pagoda Industrial (Group) Corporation Limited
深圳百果園實業(集團)股份有限公司

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

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Shenzhen Pagoda Industrial (Group) Corporation Limited
深圳百果園實業(集團)股份有限公司

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

[REDACTED]

Number of [REDACTED] under [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to (adjustment and [REDACTED])**
[REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED]**

Morgan Stanley

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EXPECTED TIMETABLE[1]

[**REDACTED**]

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OVERVIEW

We are the largest fruit retail operator in China. According to Frost & Sullivan, we ranked first among all retailers that sell fruits in China in terms of fruit retail sales value in 2021, accounting for 1.0% of total market share in China where the top five participants accounted for an aggregate of 3.6% market share in total. Meanwhile, we also ranked first among all fruit specialty retail operators in China in terms of fruit retail sales value. We have the largest distribution network in the fruit industry in China.

Through internal development and external empowerments, we are able to exert influence and management across the entire industry chain from fruit farming to retail end. We participate in the cultivation phase to secure high-quality fruits, implement professional and standardized quality management throughout the entire industry chain, provide consumers with delicious fruits at affordable prices, and achieve high turnover and low loss rate.

We are committed to becoming the go-to brand for Chinese consumers. We are one of the few companies in the fruit industry in China that have both well-known product brands and channel brands. We primarily sell fruits, and also sell fruit-based products such as dried fruits and juice. We have expanded our product offerings to other fresh groceries, and launched our Panda.F business in 2020. Currently, our offerings of other fresh groceries include vegetables, fresh meat and seafood products, grains and oils, dairy products and others.

We primarily sell fruits to consumers through our offline store network comprising franchised stores supervised by us, franchised stores supervised by our regional dealers and self-operated retail stores. We also distribute through our online channels comprising Pagoda mobile APPs, Pagoda WeChat mini-program, stores on mainstream e-commerce platforms and social commerce platforms or through third-party food delivery platforms we partner with. We also engage in direct sales to certain major customers, such as enterprises, restaurants and high-speed railway companies that have catering needs. In addition, on a limited scale, we engage in fruit wholesale business.

We have built a nationwide community-based fruit specialty retail network with OMO and store-as-warehouse features, which is a store-centric retail business model where a store serves both as a retail front for offline purchase and as a storage for online purchase and delivery services, providing OMO advantages and fulfilling the needs for flexible purchase and delivery options. Please refer to "— Fruit Specialty Retail Operator with OMO and Store-as-Warehouse Features" below for a detailed discussion. As of the Latest Practicable Date, our offline store network had 5,613 stores located in over 140 cities in 22 provinces and municipalities, mainly in residential areas, commercial streets and other high-traffic areas. We mainly adopt a franchise business model with respect to our offline retail stores. Among the total of 5,613 offline stores as of the Latest Practicable Date, 5,594 were franchised stores and 19 were self-operated stores. Among all franchised stores, 4,556 were franchised stores supervised by us while 1,038 were franchised stores supervised by regional dealers. During the Track Record Period, a substantial portion of our revenue was derived from franchised stores supervised by us, accounting for approximately 87.9%, 84.6% and 81.3% of total revenue in 2019, 2020 and 2021, respectively. Revenue derived from franchised stores supervised by us accounted for approximately 81.2% and 80.3% of total revenue for the six months ended June 30, 2021 and 2022, respectively. Within designated regions where we engaged regional dealers, there were no franchised stores supervised by us nor our self-operated stores.

Our franchisees and regional dealers are not our agents but our customers. Legal titles and risks of products are typically transferred from us to the franchisees and regional dealers when the products are accepted by them, which generally cannot be returned. As such, inventory risk borne by us is limited under the franchise business model. In addition to the purchase amount payable by the franchisees and regional dealers for products purchased from us, our franchisees are also required to pay a one-off fixed sum franchise fee for each franchised store, and each franchised store is required to pay a monthly royalty fee during the term of the franchise agreement subject to a detailed schedule as agreed under the franchise agreement. Regional dealers, on the other hand, are required to pay us a fixed sum of brand franchise fee. During the daily operation of the franchised stores, relevant franchisees are typically responsible for the expenses and costs in connection with store staff's salaries, store rental fees, store decoration and purchases of equipment. Moreover, logistic costs associated with the product delivery from franchised stores to consumers are generally borne by the relevant franchised stores.

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. Currently, the vast majority of our products are purchased by us from our approved high-quality suppliers, with a small amount of fruits from the plantation bases operated by us. We then sell products to our regional dealers and franchisees. Our established market position and strong supply chain management capacity have enabled us to generally satisfy the variety, quality and quantity needs of our regional dealers and franchisees. Under limited circumstances, such as a temporary shortage in supply of certain types of fruit in a particular regional market, an unexpected interruption to logistic services to serve a particular region, or seasonal fruits not available in a particular region or in a short period of time, we allow our regional dealers to purchase from designated suppliers in compliance with our product quality standards and re-sell to the franchised stores under their management. Our regional dealers and franchisees are our customers instead of our agents. Relevant revenue is recognized when the ownership of products is transferred, which is usually the point of time when products are accepted by our regional dealers and franchisees.

We have established the first flavor-oriented fruit quality classification system for fruit products in China, which allows consumers to clearly distinguish the quality differences in fruit and enhances the competitiveness of high-quality fruits. As of the Latest Practicable Date, we had successfully introduced to the market 31 self-owned product brands that are exclusively distributed by us in China under our Excellent and Grade A categories. We have launched the instant refund service in the fruit industry, which enhances consumer satisfaction and trust in the brand and reinforces our Pagoda brand recognition associated with high-quality fruits and services among consumers. "Pagoda" is a China Well-known Trademark and has been recognized as a Top 100 China Retail Chain Brand for multiple years. Our high-quality products and services have attracted a large number of loyal consumers. As of the Latest Practicable Date, we had over 72 million members across all distribution channels, with over 910 thousand paying members and an average of over 7 million MAU in 2021. Through our multi-level membership plans, we provide more differentiated services to consumers and tap into greater user value. Meanwhile, we obtain market insights through consumer data analysis, thereby further optimizing our products and services to meet different consumer needs.

Our revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, and increased by 16.2% to RMB10,289.4 million in 2021. Revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million in the corresponding period in 2022. Our gross profit decreased by 7.9% from RMB876.4 million in 2019 to RMB807.4 million in 2020, and increased by 43.2% to RMB1,156.4 million in 2021. Our gross profit margin was 9.8%, 9.1% and 11.2% in 2019, 2020 and 2021, respectively. Gross profit increased by 12.7% from RMB601.2 million for the six months ended June 30, 2021 to RMB677.4 million in the corresponding period in 2022. Gross profit margin was 10.9% and 11.5% in the six months ended June 30, 2021 and 2022, respectively.

OUR MARKET OPPORTUNITIES

China's fresh foods market has experienced a constantly rapid growth in recent years. According to Frost & Sullivan, the total retail sales value of fresh foods in China increased from RMB3,468.5 billion in 2016 to RMB5,635.3 billion in 2021, representing a CAGR of 10.2% and is forecasted to reach RMB8,483.0 billion in 2026, representing a CAGR of 8.5% from 2021 onwards.

Along with the increasing disposable income per capita and the upgrade of food and beverage consumption, the consumer demand for fruits continues to rise. In addition, the development of supply chain management and technical upgrades in cold chain storage and logistics have helped improve delivery efficiency and reduce loss rate, allowing consumers to enjoy high-quality fruits in a timely manner. Moreover, the significant development of Internet and e-commerce has led to a variety of fruit retailing business models, offering more convenient purchasing experience and a greater number of choices. According to Frost & Sullivan, in terms of retail sales value, the size of China's fruit retail market has increased from RMB827.3 billion in 2016 to RMB1,229.0 billion in 2021, representing a CAGR of 8.2%. Compared with other fresh food, fruit sales profit is relatively higher as fruit sales include multiple selling points, such as a broad variety of choices, rich in nutrition for healthy diets, convenience for eating, bright and colorful appearance stimulating consumption desire, and compatibility with various consumption scenarios. Therefore, fruit retail market in the future is expected to witness more kinds of fruits and better shopping experience, and China's fruit retail market still has the potential for further growth. According to Frost & Sullivan, in terms of retail sales value, the size of China's fruit retail market is expected to further increase to RMB1,775.2 billion in 2026, with an expected CAGR of 7.6% from 2021 to 2026.

Furthermore, according to Frost & Sullivan, the per capita consumption of fruits in China increased from 43.9 kilograms in 2016 to 52.7 kilograms in 2021, representing a CAGR of 3.7%. It is expected to reach 60.5 kilograms in 2026, representing a CAGR of 2.8% from 2021 onwards. Compared with developed countries, the per capita consumption of fruits in the United States was approximately 2.1 times of that in China, while for Japan, which has a similar diet structure to China, the per capita consumption of fruits in Japan was approximately 1.4 times of that in China.

FRUIT SPECIALTY RETAIL OPERATOR WITH OMO AND STORE-AS-WAREHOUSE FEATURES

Leveraging our in-depth experience in the fruit retail industry for over 20 years, we believe that the OMO and store-as-warehouse features best suit the fruit specialty retailing business model. On one hand, the extensive community-based network of small-scale stores that are close to consumers is able to satisfy the personalized consumption needs of community residents. In-store product displays and face-to-face selling have significant added-value. Meanwhile, the advantage of e-commerce that allows consumers to conveniently place orders online and that reaches out to a massive consumer base further attracts consumers to step into offline stores or to purchase online. On the other hand, the store-as-warehouse model is able to enhance logistical efficiency and reduce logistic costs, thus achieving high turnover and low loss rate. In addition, we are also in the process of upgrading our membership operations, customer services and internal IT infrastructure support to further enhance the OMO and store-as-warehouse features.

We have established multiple self-operated online channels, comprising Pagoda mobile APPs, Pagoda WeChat mini-program, storefronts on mainstream e-commerce platforms, such as Tmall and JD.com, and on popular social commerce platforms, such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me.

The well-established offline store network and multiple online channels enable us to deploy our business model by offering specialty offline and variety online. Our offline stores focus on fruit and fruit related products while we display and promote other fresh groceries online. Consumers purchasing fresh fruits online via our mobile APPs and WeChat mini-program are offered flexible delivery options, including the just-in-time delivery or the next-day delivery. Under either option, they may further opt to pick up at a designated store or request for home delivery. Online purchases of fresh fruits through third-party platforms will be fulfilled by the fleets of such platforms, most of which are instant delivery. On the other hand, since purchasing of such other fresh groceries are more likely to be a decision of planned buying, we adopt the online pre-order model which is fulfilled by next-day delivery, and consumers may opt to pick up at a designated retail store or request for home delivery. This approach offers convenience to consumers and allows us to assess demands and make procurement and logistic arrangements subject to the orders received. The online pre-order model fulfilled by next-day delivery also minimizes the in-store inventory for other fresh groceries. On the other hand, the in-store pickup option may further drive traffic into our offline stores and contribute to total sales by increasing sales of fruits in stores.

Among the total of 5,613 offline stores as of the Latest Practicable Date, 5,594 were franchised stores and 19 were self-operated stores. In 2019, 2020 and 2021 and the six months ended June 30, 2022 we had 5, 9, 15 and 16 self-operated stores, respectively. The table below sets forth the changes in the number of the franchised stores during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,
	2019	**2020**	**2021**	**2022**
Beginning of the year	3,540	4,302	4,748	5,234
Additions	928	695	865	431
Closures	(166)	(249)	(379)	(230)
Net increase	762	446	486	201
End of the year	4,302	4,748	5,234	5,435

Financial Support to Business Partners

During the Track Record Period, we provided various financial support to our franchisees, regional dealers and suppliers, which included:

- Prior to 2019, interest-free loans to franchised stores: Historically, we provided interest-free loans to franchisees to support their initial store opening and ongoing store operation and expansion; such interest-free loans were accounted for as part of our other receivables in our balance sheet during the Track Record Period. Please refer to "Business — Our Distribution Channels — Offline Retail Store Network — Franchised Stores — Financial support provided to franchisees;"

- Since 2019, interest-bearing loans to franchised stores: We have renewed our financial support arrangements under the franchise arrangements since 2019, under which we have started to offer interest-bearing loans to franchisee applicants in connection with new franchised stores. Such interest-bearing loans are accounted for as part of our other receivables during the Track Record Period. The loans are required to be applied exclusively for the daily operation of the relevant franchised stores, mainly including expenses and costs in connection with store staff's salaries, store rental fees, store decoration and purchases of equipment. The principal amount of the interest-bearing loans shall be fully repaid prior to the expiry of the relevant franchise arrangements which typically have a term of five years, and the interests are paid on a monthly basis and maybe by means of deduction from the store sales proceeds collected by us. Please refer to "Business — Our Distribution Channels — Offline Retail Store Network — Franchised Stores — Financial support provided to franchisees;"

- Factoring arrangements with regional dealers: To facilitate a steady growth of our regional dealers, in particular, at the initial stage of their business relationship with us, who may need financial resources to procure, penetrate into local market, engage local franchisees, and expand regional logistic capability, we provide financial support to regional dealers by means of factoring arrangements. Such outstanding factoring amounts were accounted for as other receivables in the relevant period. Please refer to "Business — Our Distribution Channels — Offline Retail Store Network — Regional Dealers — Financial support provided to regional dealers;" and

- Factoring arrangements with suppliers: To maintain our ecosystem and to maintain a stable and sound business relationship with our suppliers who may be in a capital need during a long cultivation process before they harvest and sell the fruits, we facilitate our suppliers to seek financial support under factoring arrangements. Such outstanding factoring amounts were accounted for as other receivables in the relevant period. Please refer to "Business — Suppliers — Financial Support Provided to Suppliers."

Our wholly-owned subsidiary, Shenzhen Yitong, is a qualified factoring company in China. As advised by our PRC Legal Advisor, our business model, including the financial support arrangements extended to our franchised stores, regional dealers and suppliers, is in compliance with the applicable laws and regulations in all material aspects. See "Business — Compliance of Financial Support Arrangements" for more details. Moreover, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material default from our franchisees, regional dealers or suppliers under our financial support arrangements.

OUR MAJOR SUPPLIERS AND MAJOR CUSTOMERS

During the Track Record Period, all of our major suppliers are fruit suppliers. Aggregate purchases from our top five suppliers in terms of dollar amount in aggregate accounted for approximately 21.4%, 20.4% and 20.6%, respectively, of our total purchase cost for the years ended December 31, 2019, 2020 and 2021. Purchase from our largest supplier in terms of dollar amount accounted for approximately 7.4%, 7.7% and 8.1%, respectively, of our total purchase cost in such periods. In the six months ended June 30, 2022, aggregate purchases from top five suppliers in terms of dollar amount in aggregate accounted for approximately 22.8% of our total purchase cost for the six months ended June 30, 2022, and purchase from our largest supplier in terms of dollar amount accounted for approximately 9.1% of our total purchase cost in the same period, respectively.

Our customers are primarily our franchisees and regional dealers who purchase from us as well as individual consumers who directly place orders with us. In addition, we also have direct sales customers and wholesale customers. Franchisees and regional dealers are not agents of us.

During the Track Record Period, our top five customers were our franchisees. Due to the nature of our retailing business and the number of our franchisees, revenue contribution from any single franchisee was immaterial. Revenue derived from our top five customers accounted for 14.2%, 11.7% and 9.8% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively. Revenue derived from our largest customer over the same periods accounted for 3.4%, 2.8% and 2.2% of our total revenue, respectively. In the six months ended June 30, 2022, revenue derived from our top five customers accounted for 8.6% of our total revenue, and revenue derived from our largest customer over the same period accounted for 1.9% of our total revenue, respectively.

PRICING

We generally take into account a number of factors to set the price of our fruits sold to our customers, including costs relating to procurement and warehousing, market demands and the prices set by major competitors.

Leveraging our standardized fruit quality classification system, we are able to price differently based on different quality levels of fruits. This pricing strategy allows us to maximize the value of each type of fruits, achieve good value-for-money, and cater to the needs of consumers with different purchasing powers.

To be specific, with respect to a particular product of same quality, we typically set a relatively lower suggested retail price in lower-tier cities as compared with the more developed regions, after considering the purchasing power, competitive landscape and operating costs in such regional markets. In addition, suggested retail prices for a particular product of same quality sold through online and offline channels are generally comparable, in order to minimize the competition on price between online and offline sales. However, we adopt the product differentiation strategy and develop different packaging or specifications to attract diversified consumers across online and offline channels.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from our competitors and have contributed to our success:

- China's leading fruit retail operator with vertically integrated industry chain and renowned channel brands and product brands;

- Efficient vertically integrated industry chain built on a standardized system and empowerments through agricultural technologies, IT and capital resources;

- Leading fruit brand portfolio enabled by advanced fruit quality classification system and established product brand incubation system;

- China's largest community-based fruit specialty retail network with OMO and store-as-warehouse features and a large and loyal consumer base driven by strong membership operation capability;

- Highly replicable franchise model backed by a strong brand, supply chain and operational support with a rapidly expanding franchised store network;

- Great product freshness, safety and low loss rate enabled by quality control over the entire industry chain and a systematic and efficient warehousing and logistics system; and

- Success led by experienced management with strong corporate culture.

OUR BUSINESS STRATEGIES

Our objective is to become the world's largest fruit company. We expect to continue to grow and expand our business, and to further strengthen and advance our leadership and market share in China. We aim to achieve this through the following strategies:

- Continue our layout in the upstream industry chain, strengthen the core competitive advantages of our products, expand the categories of fruit business, and cement our leading position in the industry;

- Further enhance our supply chain layout and optimize our warehousing, logistic and quality control system;

- Continue to expand our distribution network and channel brands;

- Leverage our supply chain and channel advantages to accelerate the expansion of fresh grocery business;

- Continue to expand and optimize our OMO operation model;

- Accelerate the digitalization of our whole operation and industry chain through IT investments and empowerment; and

- Pursue appropriate strategic investment and acquisition opportunities to strengthen our industry chain layout.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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 six months ended June 30, 2022, extracted from the Accountant's Report set out in Appendix I to this document. 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 Consolidated Statements of Profit or Loss

The following table sets forth the consolidated statements of profit or loss of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Revenue	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0
Cost of sales	(8,099,777)	(90.2)	(8,046,263)	(90.9)	(9,132,939)	(88.8)	(4,924,177)	(89.1)	(5,237,328)	(88.5)
Gross profit	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5
Other income	59,484	0.7	49,195	0.6	34,559	0.3	18,295	0.3	29,526	0.5
Other gains, net	34,046	0.4	28,203	0.3	8,055	0.1	7,635	0.1	7,676	0.1
Selling expenses	(344,863)	(3.8)	(394,593)	(4.5)	(451,730)	(4.4)	(220,561)	(4.0)	(246,184)	(4.2)
Administrative expenses	(236,871)	(2.6)	(215,591)	(2.4)	(302,612)	(2.9)	(154,094)	(2.8)	(152,672)	(2.6)
Research and development expenses	(59,252)	(0.7)	(106,053)	(1.2)	(139,742)	(1.4)	(65,222)	(1.2)	(86,280)	(1.5)
Net (provision)/net reversal of impairment loss on financial assets	(11,048)	(0.1)	(20,891)	(0.2)	(5,370)	(0.0)	(11,783)	(0.2)	754	0.0
Operating profit	317,852	3.5	147,700	1.7	299,596	2.9	175,517	3.2	230,213	3.9
Finance income	3,031	0.0	12,192	0.1	24,091	0.2	5,137	0.1	15,423	0.3
Finance costs	(44,673)	(0.5)	(52,065)	(0.6)	(78,190)	(0.8)	(33,781)	(0.6)	(43,499)	(0.7)
Finance costs, net	(41,642)	(0.5)	(39,873)	(0.5)	(54,099)	(0.5)	(28,644)	(0.5)	(28,076)	(0.5)
Share of (losses)/profit of associates and joint ventures, net	(7,529)	(0.1)	(9,763)	(0.1)	16,483	0.2	9,536	0.2	9,444	0.2
Losses on impairment of an associate	–	–	(26,354)	(0.3)	–	–	–	–	–	–
Profit before income tax	268,681	3.0	71,710	0.8	261,980	2.5	156,409	2.8	211,581	3.6
Income tax expenses	(20,384)	(0.2)	(26,052)	(0.3)	(36,164)	(0.4)	(20,363)	(0.4)	(21,498)	(0.4)
Profit for the year/period	248,297	2.8	45,658	0.5	225,816	2.2	136,046	2.5	190,083	3.2
Profit attributable to:										
Owners of the Company	249,453	2.8	49,063	0.6	234,798	2.3	141,462	2.6	198,985	3.4
Non-controlling interest	(1,156)	(0.0)	(3,405)	(0.0)	(8,982)	(0.1)	(5,416)	(0.1)	(8,902)	(0.2)
	248,297	2.8	45,658	0.5	225,816	2.0	136,046	2.5	190,083	3.2

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Other comprehensive (loss)/income										
Items that will not be subsequently reclassified to profit or loss										
Share of other comprehensive income of investments in associates and joint ventures	84	0.0	–	–	–	–	–	–	–	–
Changes in the fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	38,419	0.4	9,629	0.1	(49,437)	(0.5)	(58,077)	(1.1)	(822)	(0.0)
Income tax relating to these items	(9,578)	(0.1)	524	0.0	5,884	0.1	5,994	0.1	(500)	(0.0)
Other comprehensive income/(loss) for the year/period, net of tax	28,925	0.3	10,153	0.1	(43,553)	(0.4)	(52,083)	(1.0)	(1,322)	(0.0)
Total comprehensive income for the year/period	277,222	3.1	55,811	0.6	182,263	1.8	83,963	1.5	188,761	3.2

The following table sets out a breakdown of our revenue by operating segments, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of fruits and other food products	8,749,826	97.5	8,636,814	97.6	9,991,758	97.1	5,367,150	97.1	5,730,693	96.9
Royalty and franchising income	171,549	1.9	131,364	1.5	160,288	1.6	92,405	1.7	95,211	1.6
Membership income	46,062	0.5	54,454	0.6	77,670	0.8	33,961	0.6	42,820	0.7
Others[1]	8,696	0.1	31,061	0.3	59,659	0.5	31,908	0.6	45,997	0.8
Total	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0

Note:

(1) Mainly represents the income from system maintenance services provided to franchised stores.

The table below sets forth a breakdown of the revenue contribution derived from sales of products by our major product types during the Track Record Period.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Fresh fruits	8,448,076	96.5	8,329,487	96.4	9,485,163	95.0	5,164,156	96.2	5,449,333	95.1
Dried fruits	268,860	3.1	230,603	2.7	303,163	3.0	113,525	2.1	127,110	2.2
Other fresh groceries	32,890	0.4	76,724	0.9	203,432	2.0	89,469	1.7	154,250	2.7
Revenue derived from sales of products	8,749,826	100	8,636,814	100	9,991,758	100	5,367,150	100.0	5,730,693	100.0

The following table sets out a breakdown of our revenue from sales of products by distribution channels, each expressed in the absolute amount and as a percentage of our total revenue from sales of products, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Franchised stores										
Franchised stores supervised by us	7,686,867	87.9	7,302,861	84.6	8,125,229	81.3	4,356,213	81.2	4,601,710	80.3
Others[(1)]	13,307	0.1	6,238	0.1	1,832	0.0	509	0.0	1,068	0.0
Sub-total	7,700,174	88.0	7,309,099	84.7	8,127,061	81.3	4,356,722	81.2	4,602,778	80.3
Self-operated stores	36,587	0.4	39,210	0.4	48,296	0.4	23,783	0.4	31,693	0.6
Others										
Regional dealers[(2)]	455,887	5.2	493,562	5.7	968,022	9.7	496,341	9.2	563,694	9.8
Direct sales	524,289	6.0	515,526	6.0	522,750	5.3	336,678	6.3	406,982	7.1
Online channels	32,889	0.4	279,417	3.2	325,629	3.2	153,626	2.9	125,546	2.2
	1,013,065	11.6	1,288,505	14.9	1,816,401	18.2	986,645	18.4	1,096,222	19.1
Total	8,749,826	100.0	8,636,814	100.0	9,991,758	100.0	5,367,150	100.0	5,730,693	100.0

Notes:

(1) Represented revenue derived from franchised stores supervised by regional dealers by selling certain goods to those franchised stores supervised by regional dealers. We generally do not engage in sales of fruits and other products to franchised stores supervised by our regional dealers.

(2) Represented revenue derived from sales of products to regional dealers.

During the Track Record Period, the majority of our revenue was derived from sales of products. We also derived royalty and franchising income from our franchised stores. Our total revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, and increased by 16.2% from RMB8,853.7 million in 2020 to RMB10,289.4 million in 2021. Revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million in the corresponding period in 2022. Fluctuations in our revenue during the Track Record Period were primarily driven by changes in revenue from sales of fruits and other products over the same periods, which in turn were mainly a combined result of the impact of the COVID-19 pandemic and the number of franchised stores in operation in the relevant period.

Revenue generated from sales of fruits and other food products represented the majority portion of our total revenue, and amounted to RMB8,749.8 million, RMB8,636.8 million and RMB9,991.8 million in 2019, 2020 and 2021, respectively, representing approximately 97.5%, 97.6% and 97.1%, respectively, of total revenue over the same periods. The decrease from 2019 to 2020 was a net effect of the decrease in sales of offline retail stores as an adverse result of the COVID-19 pandemic and a decline in our average sales to franchised stores supervised by us, partially offset by a net increase of 192 franchised stores supervised by us. The increase from 2020 to 2021 was driven by a net increase of 362 franchised stores supervised by us and a recovery in sales of offline retail stores and hence, in our average sales to franchised stores supervised by us since the COVID-19 pandemic had been gradually kept under control in 2021. Revenue generated from sales of fruits and other food products increased in the six months ended June 30, 2022 from the corresponding period was primarily due to a net increase in the number of retail stores.

In addition, revenue from sales of products to regional dealers was primarily affected by the purchase volume, which in turn was attributable to the number of franchised stores supervised by regional dealers and the procurement ratio they allocated between us and other designated third party suppliers. Under certain circumstances, we allow our regional dealers to purchase from designated suppliers in compliance with our product quality standards and re-sell to the franchised stores under their management. We believe this allows our regional dealers to maintain flexibility and efficiency in procurement in unforeseen events affecting demand and supply.

Total number of franchised stores supervised by regional dealers amounted to 602, 856, 980, 907 and 981 stores as of December 31, 2019, 2020 and 2021 and June 30, 2021 and 2022, respectively. Procurements by regional dealers from us increased significantly from 2020 to 2021. During the Track Record Period, the number of franchised stores supervised by us increased from 3,700 as of December 31, 2019 to 3,892 as of December 31, 2020, and further to 4,254 as of December 31, 2021. As of June 30, 2021 and 2022, there were 4,018 and 4,454 franchised stores supervised by us, respectively. As of December 31, 2019, 2020 and 2021, we contracted 12, 14 and 13 regional dealers, respectively. As of June 30, 2021 and 2022, we contracted 14 and 13 regional dealers, respectively.

The following table sets out a breakdown of our royalty income and franchising income, respectively, by sales channels for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Royalty income					
– franchised stores supervised by us	156,166	104,436	121,401	73,346	75,945
– franchised stores supervised by regional dealers	3,483	7,385	10,382	6,104	5,725
– regional dealers	5,711	10,141	12,633	5,575	6,163
Franchising income					
– franchised stores supervised by us	4,650	6,611	11,525	5,272	5,136
– franchised stores supervised by regional dealers	646	1,748	3,232	1,552	1,686
– regional dealers	893	1,043	1,115	556	556
Total	171,549	131,364	160,288	92,405	95,211

The following table sets out a breakdown of our gross profit and gross profit margin by major components of revenue and by sales channels, with respect to sales of fruits and other products, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	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*	*%*
							(unaudited)			
Sales of fruits and other food products										
Franchised stores	523,747	6.8	516,230	7.1	746,843	9.2	376,885	8.7	419,978	9.1
Self-operated stores	9,955	27.2	10,837	27.6	13,170	27.3	6,263	26.3	8,860	28.0
Regional dealers	4,213	0.9	4,658	0.9	9,403	1.0	4,917	1.0	5,641	1.0
Direct sales	111,215	21.2	72,461	14.1	90,457	17.3	55,618	16.5	59,006	14.5
Online channels	919	2.8	(13,635)	(4.9)	(1,054)	(0.3)	(710)	(0.5)	(120)	(0.1)
Sub-total	650,049	7.4	590,551	6.8	858,819	8.6	442,973	8.3	493,365	8.6
Royalty and franchising income[1]	171,549	100.0	131,364	100.0	160,288	100.0	92,405	100.0	95,211	100.0
Membership income[1]	46,062	100.0	54,454	100.0	77,670	100.0	33,961	100.0	42,820	100.0
Others[1]	8,696	100.0	31,061	100.0	59,659	100.0	31,908	100.0	45,997	100.0
Total	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5

Note:

(1) Since there is no cost recorded in connection with royalty and franchising income and membership income, gross profit margin of such respective components was 100% and our overall gross profit margin was affected by the proportions of each major components of our revenue.

During the Track Record Period, our cost of sales primarily consists of cost of inventories sold, delivery charges, employee benefit expenses, and other costs. Cost of inventories sold represented the purchase cost of the products we sold, which had constituted the majority portion of our total cost of sales. In addition, due to the nature of fresh fruits, inventory loss might arise due to rotten, out-of-season or damaged stock, which was accounted for as cost of sales. During the Track Record Period, inventory loss accounted for approximately 0.010%, 0.003%, 0.034% and 0.045% of total cost of inventories sold in the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. We intend to constantly enhance our ability to control costs and expenses. We will strengthen our influence among suppliers and other industry players by continuing to provide empowerments through agricultural technologies, IT and capital resources, so as to identify high-quality fruit suppliers, obtain preferential purchase rights and secure large-scale supply. Moreover, through IT investment and industrial information platform construction, we will continue to optimize operational costs and expenses by improving operational efficiency.

Gross profit derived from sales of fruits and other food products to franchised stores fluctuated during the Track Record Period, which was largely in line with the fluctuation in revenue from sales of fruits and other food products contributed by franchised stores. Gross profit margin on sales of fruits and other food products to franchised stores was stable at 6.8% in 2019 and 7.1% in 2020, respectively. The significant increase from 7.1% in 2020 to 9.2% in 2021 was primarily because we raised selling prices in relation to franchisees, after considering the maturity of our overall franchise network and the increasingly stable market environment in 2021 as the COVID-19 pandemic was gradually kept under control.

Gross profit margin on sales of fruits and other food products to self-operated stores remained relatively stable throughout the Track Record Period. Through our self-operated stores, we sell our products to consumers at retail prices while bearing the costs and expenses in connection with store operation, while for franchised stores, we sell our products at a price discounted from retail prices, but do not bear the operating expense of these stores. As a result, our self-operated stores generally have a higher gross profit margin than that of franchised stores.

Gross profit margin on regional dealers was stable at 0.9%, 0.9%, 1.0%, 1.0% and 1.0% during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. We typically set a relatively lower gross profit margin for sales to regional dealers and adopt the cost-plus method to price the products sold to regional dealers mainly in order to motivate them. Despite the relatively low but stable gross profit margin on regional dealers, we believe that engaging regional dealers in selected regions provides us with a number of benefits in rapidly establishing local presence through (i) minimizing our direct time and capital investments in head-hunting, training and serving franchisees qualified to operate franchised stores, (ii) generating a relatively stable revenue and profit stream to our Group, comprising (a) a stable gross profit margin at 0.9%, 0.9% and 1.0% in 2019, 2020 and 2021, respectively, derived from sales of products to such regional dealers, (b) royalty income generally starting from 0.5% of the relevant regional dealer's sales of products to franchised stores supervised by it, the rate of which is subject to an annual increase with a cap of 2.5% pursuant to our agreements with regional dealers, and (c) a potential reasonable increase in the above-mentioned economic contributions due to our strong bargaining power against suppliers resulting from increasing economies of scale. As such, although we did not experience any difficulty in approaching and procuring franchisees on our own during the Track Record Period, we intend to continue to maintain the regional dealers in selected regions.

Gross profit margin on direct sales was relatively higher at 21.2% in 2019 than 2020 and 2021, which was mainly contributed by one of our subsidiaries, Jinchengtai, which engaged in wholesale business. Jinchengtai mainly sells apples to wholesale customers and the market price of apples was higher in 2019 due to extreme weather. Market price of apples subsequently declined in 2020 when its supply returned to normal. If sales of Jinchengtai were excluded, gross profit margin of remaining direct sales would remain relatively stable at 11.2% and 11.5% in 2019 and 2020, respectively. During the Track Record Period, Jinchengtai contributed approximately 49.4%, 37.2% and 39.2% of our direct sales gross profit, in 2019, 2020 and 2021, respectively. While gross profit derived from direct sales increased, gross profit margin on direct sales decreased from 16.5% for the six months ended June 30, 2021 to 14.5% for the six months ended June 30, 2022, primarily as a result of our favorable pricing strategy in order to expand our corporate customer base.

Gross profit margin on online channels decreased from 2.8% in 2019 to a negative 4.9% in 2020, mainly due to a change in our online strategy from selling high-end fresh groceries mostly to paying members in 2019 to selling more mass market fresh groceries and other products to all customers in response to intensified competition along with the launch of Panda.F and our operation of self-operated online stores on Tmall and JD.com under the business to consumer, or B2C, model. Due to relatively lower gross profit margin on mass market fresh groceries and other products and an increase in delivery charges and packaging costs associated with increased online sales, we recorded a negative gross profit margin in 2020. The gross profit margin slightly improved to a negative 0.3% in 2021, primarily because we optimized product strategy and improved product mix with respect to our continuous operations of Panda.F and the B2C online channels. Gross profit margin on online channels was negative 0.1% for the six months ended June 30, 2022. We believe the thin gross profit margin on online channels during the Track Record Period was due to the relatively higher costs and expenses we incurred since our acceleration of online operations since 2019. We expect the gross profit margin on online channels will improve from increasing economies of scale of our online business, as we continue to optimize online product offerings, especially the products under our Panda.F brand, and to foster a broader and more engaging consumer base.

Our net profit decreased from RMB248.3 million in 2019 to RMB45.7 million in 2020 with net profit margin decreased from 2.8% in 2019 to 0.5% in 2020, mainly due to (i) our strategy to focus on the exploration and development of online channels amid the COVID-19 pandemic in 2020, which contributed to a significant increase of RMB36.4 million in our marketing and promotion expenses under selling expenses and a significant increase of RMB45.0 million in salaries and staff welfare under research and development expenses mainly in connection with the increase of IT headcount for the development of our online systems and platforms, (ii) decreases in both sales of products and gross profit margin through direct sales under COVID-19 pandemic, and (iii) decrease in our royalty income from franchised stores resulting from a decrease in gross profit of franchised stores under COVID-19 pandemic.

Our net profit increased from RMB45.7 million in 2020 to RMB225.8 million in 2021 with net profit margin increased from 0.5% in 2020 to 2.2% in 2021, mainly due to (i) an increase in sales of products through franchised stores under the mild recovery of COVID-19 pandemic, (ii) an increase in gross profit margin through franchised stores mainly resulting from raises in selling prices towards franchised stores, and (iii) increase in our royalty income from franchised stores resulting from an increase in gross profit of franchised stores as the COVID-19 pandemic was gradually kept under control.

Net profit increased from RMB136.0 million for the six months ended June 30, 2021 to RMB190.1 million for the six months ended June 30, 2022, primarily due to an increase in sales of products through franchised stores mainly as a result of a net increase in the number of stores.

During the Track Record Period, non-controlling interests mainly represented net assets attributable to minority shareholders of our non wholly-owned subsidiaries. The absolute amount of non-controlling interests increased during the Track Record Period as the number of the subsidiaries and their business continued to grow.

Non-HKFRS Measures — Adjusted Net Profit and Adjusted Net Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted net profit and adjusted net profit margin as additional financial measures, which are not required by, or presented in accordance with, HKFRS. Adjusted net profit, as we present it, represents profit for the year/period before [**REDACTED**] expenses. We defined adjusted net profit as net profit for the year/period adjusted by adding back [**REDACTED**] expenses. [**REDACTED**] expenses are expenses in relation to this [**REDACTED**] and our previous [**REDACTED**] preparation, including the A-share Listing Preparation, which we consider are non-recurring in nature for future periods. For more details, please refer to the section headed "Our History and Development." We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations because they do not reflect all items of income and expense that affect our operations. Our presentation of these non-HKFRS measures should not be construed as an inference that our future results will be unaffected by such unusual item.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, because they may not be calculated in the same manner by all companies, our adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

The following table reconciles profit and net profit margin for the year/period under HKFRS to adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure), respectively, for the year/period indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	248,297	45,658	225,816	136,046	190,083
Add:					
[**REDACTED**] expenses in connection with previous [**REDACTED**] preparation	4,721	19,624	13,157	13,145	–
[**REDACTED**] expenses in connection with this [**REDACTED**]	–	–	11,897	3,688	14,563
Adjusted net profit for the year/period (non-HKFRS measure)	253,018	65,282	250,870	152,879	204,646
Net profit margin	2.8%	0.5%	2.2%	2.5%	3.2%
Adjusted net profit margin (non-HKFRS measure)	2.8%	0.7%	2.4%	2.8%	3.5%

Without considering the impact of the [**REDACTED**] expenses, our adjusted net profit margin, a non-HKFRS measure, would have been 2.8%, 0.7%, 2.4%, 2.8% and 3.5% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. See "Financial Information" for a more detailed discussion of our financial performance during the Track Record Period.

Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Inventories	234,806	259,255	246,760	263,351
Trade receivables	1,443,731	1,290,874	1,156,227	1,083,098
Deposits, prepayments and other receivables	577,466	619,107	861,806	766,599
Financial assets at FVTPL	765,822	414,744	1,039,995	229,954
Cash and cash equivalents	317,248	454,636	564,666	1,897,504
Total current assets	3,571,846	3,495,100	4,409,292	4,611,389
Current liabilities				
Trade payables	378,835	304,932	345,196	500,553
Accruals and other payables	877,344	1,028,085	1,178,063	1,180,171
Bank borrowings	594,785	911,069	1,435,427	1,289,918
Total current liabilities	1,926,477	2,321,327	3,056,542	3,057,784
Net current assets	1,645,369	1,173,773	1,352,750	1,553,605
Net assets	2,403,273	2,528,922	2,717,414	2,907,617

During the Track Record Period, our net current assets fluctuated mainly due to our cash management and allocation between short- and long-term deposits. Net current assets decreased from RMB1,645.4 million as of December 31, 2019 to RMB1,173.8 million as of December 31, 2020, mainly due to the negative impact by COVID-19 on our business, and increasing cash outflow resulting from one-off long-term deposits of RMB250 million as of December 31, 2020 and an increase in interests in associates and joint ventures during the year ended December 31, 2020. Net current assets increased gradually and amounted to RMB1,173.8 million, RMB1,352.8 million and RMB1,553.6 million as of December 31, 2020 and 2021 and June 30, 2022, respectively, mainly due to the cash inflow from decrease in long-term bank deposits and our business development during such periods.

Net assets increased from RMB2,403.3 million as of December 31, 2019 to RMB2,528.9 million as of December 31, 2020, primarily due to the effect of step acquisition of Youguolian and Younongdao at RMB70.0 million and the profit for the year of RMB45.7 million. Net assets further increased to RMB2,717.4 million as of December 31, 2021, primarily due to the profit for the year of RMB225.8 million. Net assets increased to RMB2,907.6 million as of June 30, 2022, primarily due to the profit for the period of RMB190.1 million.

Summary Consolidated Statements of Cash Flow

	Year Ended December 31,			**Six Months Ended**
	2019	**2020**	**2021**	**June 30, 2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	490,260	297,979	285,985	516,038
Net cash used in investing activities	(226,742)	(377,743)	(577,898)	1,034,924
Net cash (used in)/generated from financing activities	(64,952)	217,152	401,943	(218,124)
Net increase in cash and cash equivalents	198,566	137,388	110,030	1,332,838
Cash and cash equivalents at the beginning of the year/period	118,682	317,248	454,636	564,666
Cash and cash equivalents at the end of the year/period	317,248	454,636	564,666	1,897,504

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the periods or as of the dates indicated.

	As of/Year Ended December 31,			**As of/Six Months Ended**
	2019	**2020**	**2021**	**June 30, 2022**
Gross profit margin *(%)*(1)	9.8	9.1	11.2	11.5
Net profit margin *(%)*(2)	2.8	0.5	2.2	3.2
Adjusted net profit margin (%)(3)	2.8	0.7	2.4	3.5
Current ratio *(time)*(4)	1.9	1.5	1.4	1.5
Quick ratio *(time)*(5)	1.7	1.4	1.4	1.4
Gearing ratio *(%)*(6)	25.8	36.7	53.5	44.9
Average inventory turnover days *(day)*(7)	7.7	11.2	10.1	8.8

Notes:

(1) Calculated using gross profit for the year/period by total revenue for the year/period.

(2) Calculated using net profit for the year/period divided by total revenue for the year/period.

(3) A non-HKFRS measure, calculated as adjusted net profit for the year/period divided by total revenue for the year/period; adjusted net profit represents profit for the year/period before [**REDACTED**] expenses.

(4) Calculated using current assets divided by current liabilities at the end of year/period.

(5) Calculated using current assets minus inventory, divided by current liabilities at the end of year/period.

(6) Total borrowings divided by total equity at the end of year/period and multiplied by 100%.

(7) Calculated based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), (i) Mr. Yu will directly hold approximately [**REDACTED**]% of the total issued share capital of our Company; (ii) Hongyuan Shanguo, Hengyili Investment and Huizhi Zhongxiang, which are controlled by Mr. Yu as their (executive) general partner, will directly hold approximately [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively; and (iii) Shenzhen Huilin, which is owned as to 51% by Mr. Yu and 49% by Ms. Xu Yanlin, spouse of Mr. Yu, will directly hold approximately [**REDACTED**]% of the total issued share capital of our Company. In addition, Ms. Xu Yanlin contributed 39% of the capital of Hengyili Investment and 29.8% of the capital of Hongyuan Shanguo. As such, Mr. Yu will be entitled to exercise or control the exercise of an aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company upon [**REDACTED**]. Mr. Yu, Ms. Xu Yanlin, Hongyuan Shanguo, Hengyili Investment, Huizhi Zhongxiang and Shenzhen Huilin will be a group of Controlling Shareholders of our Company under the Listing Rules.

[REDACTED]

Our Company underwent various [**REDACTED**] by way of capital increases or equity transfers, as a result of which we have a diverse base of [**REDACTED**] who are experienced individual investors and strategic institutional investors. For further details of the [**REDACTED**] and identities and background of the [**REDACTED**], see "Our History and Development — [**REDACTED**]."

[REDACTED] EXPENSES

During the Track Record Period, we incurred [**REDACTED**] expenses of approximately RMB[**REDACTED**] million, of which RMB[**REDACTED**] million was recognized as administrative expenses in our consolidated statement of profit and loss for the year ended December 31, 2021 and for the six months ended June 30, 2022, and RMB[**REDACTED**] million was directly attributable to the issuance of [**REDACTED**] and was capitalized as prepayments and will be deducted from equity. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] million, of which RMB[**REDACTED**] million is expected to be recognized as administrative expenses for the year ending December 31, 2022 and RMB[**REDACTED**] million is expected to be directly attributable to the issuance of [**REDACTED**] and will be deducted from equity directly. Our Directors estimate that the total amount of expenses in relation to the [**REDACTED**] and [**REDACTED**] is approximately RMB[**REDACTED**] million, accounting for approximately [**REDACTED**]% of [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of [**REDACTED**] stated in this document, and [**REDACTED**] is not exercised). The [**REDACTED**] expenses include (a) [**REDACTED**] expenses of RMB[**REDACTED**] million, representing [**REDACTED**]% of [**REDACTED**]; and (b) [**REDACTED**] expenses, comprising professional fees of legal counsels and reporting accountant of RMB[**REDACTED**] million, representing [**REDACTED**]% of [**REDACTED**], and other fees and expenses of RMB[**REDACTED**] million, representing [**REDACTED**]% of [**REDACTED**].

[**REDACTED**]

[**REDACTED**] size:	Initially [**REDACTED**]% of the total issued share capital of our Company
[**REDACTED**] structure:	Initially [**REDACTED**]% for [**REDACTED**] (subject to adjustment) and [**REDACTED**]% for [**REDACTED**] (subject to adjustment and [**REDACTED**])
[**REDACTED**]:	Up to [**REDACTED**]% of the number of [**REDACTED**] initially available under [**REDACTED**]
[**REDACTED**] per [**REDACTED**]:	HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]**
Our Company's [**REDACTED**] upon completion of the [**REDACTED**][(1)(2)]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted net tangible asset per Share[(3)]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) All statistics in the table are based on the assumption that [**REDACTED**] is not exercised.

(2) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of [**REDACTED**].

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" in this document and on the basis of [**REDACTED**] Shares in issue at the respective [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**], assuming that the Shares issued pursuant to [**REDACTED**] were issued on June 30, 2022.

FUTURE PLANS AND [REDACTED]

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

	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full
Assuming an [**REDACTED**] of HK$[**REDACTED**] per H Share (being the mid-point of the [**REDACTED**] range stated in this document)	HK$[**REDACTED**] million	HK$[**REDACTED**] million

We intend to use [**REDACTED**] of HK$[**REDACTED**] million of [**REDACTED**] for the following purposes assuming [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and assuming [**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,

  - 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;

  - approximately [**REDACTED**]% of our estimated [**REDACTED**], representing approximately HK$[**REDACTED**] million, will be used to improve our R&D capabilities;

  - 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;

  - 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;

  - 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;

  - approximately [**REDACTED**]% of our estimated [**REDACTED**], representing approximately HK$[**REDACTED**] million, will be used for innovation attempts of new retail operations; 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,

- approximately [**REDACTED**]% of our estimated [**REDACTED**], representing approximately HK$[**REDACTED**] million, will be used for upgrades of our IT systems and infrastructure;

- approximately [**REDACTED**]% of our estimated [**REDACTED**], representing approximately HK$[**REDACTED**] million, will be used to repay part or all of our following interest-bearing banks borrowings; and

- approximately [**REDACTED**]% of our estimated [**REDACTED**], representing approximately HK$[**REDACTED**] million, will be used as our working capital and for general corporate purposes.

See "Future Plans and [**REDACTED**]" for further details.

DIVIDEND

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant. A decision to declare and pay any dividend would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. We did not declare any dividends during the Track Record Period. Any past dividend distribution records may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

We currently intend to adopt, after our [**REDACTED**], a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our distributable net profit in the future, subject to, among other things, our operational needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

RISK FACTORS

There are certain risks involved in our operations and in connection with [**REDACTED**], many of which are beyond our control. These risks can be categorized into (i) risks relating to our industry and business, (ii) risks relating to doing business in the PRC, and (iii) risks relating to [**REDACTED**]. For example, our business depends significantly on market recognition of our "Pagoda" and other trademarks and brands, 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; while our results of operations are significantly subject to the store performance of our franchised stores, we cannot control and may not be able to effectively monitor the operations of these stores or maintain our current relationship with the franchisees or regional dealers; extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions and other unexpected events 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; impairment of our goodwill and/or intangible assets, if material, could negatively affect our financial condition and results of operations. A detailed discussion of all the risk factors involved are set forth in "Risk Factors" and you should read the whole section carefully before you decide whether to [**REDACTED**] the [**REDACTED**].

RECENT DEVELOPMENTS

Following the Track Record Period and up to the Latest Practicable Date, our business operation grew steadily. Our offline store network tapped into three new cities in China. As of the Latest Practicable Date, our offline store network comprised of 5,613 stores located in over 140 cities in 22 provinces and municipalities across China. Among these, 5,594 were franchised stores and 19 were self-operated stores.

Since early 2022, there have been resurgences of COVID-19 outbreak, including the COVID-19 Delta and Omicron variant cases, from time to time in multiple cities in China, and the local governments re-imposed certain quarantine and other restrictive measures. Since January 1, 2022 up to the Latest Practicable Date, some retail stores across the country were subject to a temporary closure mainly in compliance with the local restrictive measures, but to the extent possible maintained operations to fulfill online orders, half of which were located in Shanghai. The majority of the affected stores experienced a closure for less than one month, with an average period of closure of 19 days. As of the Latest Practicable Date, approximately 96% of these stores had resumed business operation.

Moreover, the restrictive measures adopted in certain affected regions have caused uncertainty and disruption to our domestic supply chain. We experienced slight delays and increases in expenses in connection with rearranging our logistic services to ensure delivery of products from the places of origin to our distribution centers, and from such distribution centers to retail stores across the country. On the other hand, the temporary closure of major port cities and prolonged time required by customs clearance have also increased uncertainty and expenses for products imported from overseas. Since early 2022, our management has promptly adopted responsive measures to ease the pressure on our supply chain. Due to our timely and effective responses, the delays and increases in expenses in connection with our logistic services arising from the resurgences of COVID-19 outbreak since 2022 were not material.

We estimated that we incurred anti-pandemic expenses of approximately RMB0.3 million during the period from January 1, 2022 and up to the Latest Practicable Date.

See "Business — Effects of the COVID-19" for more details about the pandemic cause to us in 2020 and 2022.

Despite the uncertainties brought by the regional resurgences of COVID-19 outbreak, our financial performance remained stable. We believe that the level of liquidity is sufficient to successfully navigate an extended period of uncertainty due to the COVID-19 pandemic.

After due and careful consideration, our Directors confirm that, save as disclosed above, up to the date of this document, there has been no material adverse change in our financial and trading position since June 30, 2022, and there is no event since June 30, 2022 which would materially affect the audited financial information as set out in Appendix I to this document.

Recent Regulatory Development

On December 28, 2021, the Cyberspace Administration of China, or the CAC, and several other PRC governmental authorities jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), (the "**Revised CAC Measures**") which took effect on February 15, 2022. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. On November 14, 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**") for public comments, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC.

Our Directors and our Special PRC Legal Adviser are of the view that the Cybersecurity Review Measures and the Draft Data Security Regulations, if implemented in current form, will not have material adverse effect on our business operations or the proposed [**REDACTED**] on the basis that (i) we have implemented comprehensive measures to ensure user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations as disclosed in "Business — Data Privacy and Protection," (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority, (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data privacy laws or regulations, (iv) as advised by our Special PRC Legal Adviser, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Cybersecurity Review Measures during the Track Record Period and up to the Latest Practicable Date, (v) as advised by our Special PRC Legal Adviser and subject to any further official guidance and implementation rules relating to the Cybersecurity Review Measures, Article 7 of the Cybersecurity Review Measures requires a cybersecurity review for internet platform operators possessing personal information of over one million users and pursuing a foreign listing (國外上市), and (vi) on May 30, 2022, according to the consultation with the CCRC via phone call by us, the organization commissioned by the Cyber Security Review Office to undertake specific cyber security reviews, CCRC gave an explicit response that our Group does not need to take the initiative to report to the regulatory authorities for cybersecurity review.

During the ordinary course of our business, we had accumulated more than one million users' personal information as of the Latest Practicable Date and as of the Latest Practicable Date, we had not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator. However, as of the Latest Practicable Date, the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities. The Draft Cyber Data Security Regulations was released for public comment only and its final version and effective date may be subject to change and uncertainty. We cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us. Please refer to "Risk Factors — Risks Relating to Our Industry and Business — Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material adverse effect on our business and prospects. Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including privacy concerns relating to unauthorized use of user information by us or third parties, could damage our reputation, adversely affect the consumers' confidence in us, or subject us to governmental regulation and other legal obligations."

If the Draft Cyber Data Security Regulations were implemented in its current form, based on the foregoing and the analysis of provisions of the Revised CAC Measures and the Draft Cyber Data Security Regulations by our Special PRC Legal Adviser, the Directors and our Special PRC Legal Adviser do not foresee any material impediments for us to comply with the Revised CAC Measures and the Draft Cyber Data Security Regulations in all material aspects, given that as disclosed in "Business — Data Privacy and Protection" of the document, we have implemented internal policies, procedures, and measures to ensure our compliance practice. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Cyber Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"AFRC"	The Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the articles of association of our Company adopted on February 8, 2022 which will become effective upon the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix V
"Baiguo Digital Industrial"	Shenzhen Baiguo Digital Industrial Park Co., Ltd.* (深圳百果數字產業園有限公司), a limited liability company established in the PRC on March 12, 2020 and a wholly-owned subsidiary of our Company
"Baiguo Technology"	Baiguo Technology (Shenzhen) Co., Ltd.* (深圳市百果互動科技有限公司), a limited liability company established in the PRC on November 18, 2014 and a wholly-owned subsidiary of our Company
"Baihui Life"	Shenzhen Baihui Life Technology Co., Ltd.* (深圳市百慧生活科技有限公司), a limited liability company established in the PRC on November 16, 2020 and a wholly-owned subsidiary of our Company
"Baima No. 4"	Shenzhen CICC Qianhai Baima No. 4 Fund Center Limited Partnership* (深圳中金前海白馬四號基金中心(有限合夥)), a limited partnership established in the PRC on January 5, 2016 and one of our [**REDACTED**] Investors
"Baixin Investment"	Shenzhen Baixin Investment Development Co., Ltd.* (深圳百芯投資發展有限公司), a limited liability company established in the PRC on September 10, 2021 and a wholly-owned subsidiary of our Company
"Beijing Aoxiang"	Beijing Aoxiang Technology Co., Ltd.* (北京奧想科技有限公司), a limited liability company established in the PRC on August 20, 2013 and a wholly-owned subsidiary of our Company

"Beijing Sangeling"	Beijing Sangeling Ecological Agricultural Technology Development Co., Ltd.* (北京三個零生態農業科技發展有限公司), a limited liability company established in the PRC on June 6, 2022 and a wholly owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"Bole No. 1"	Shenzhen CICC Qianhai Bole No. 1 Fund Center Limited Partnership* (深圳中金前海伯樂一號基金中心(有限合夥)), a limited partnership established in the PRC on December 21, 2015 and one of our [**REDACTED**] Investors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business

[**REDACTED**]

"Changzhou Baqianli"	Changzhou Baqianli Food Sales Co., Ltd.* (常州市八千里食品銷售有限公司), a limited liability company established in the PRC on September 22, 2020 and a wholly-owned subsidiary of our Company
"Changzhou Tianjing"	Changzhou Tianjing Food Sales Co., Ltd. (常州市天競食品銷售有限公司), a limited liability company established in the PRC on September 16, 2020 and a wholly-owned subsidiary of our Company

"China" or "PRC" or the "People's Republic of China"	the People's Republic of China excluding, for the purpose of this document, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CICC Haoze"	Ningbo Meishan Bonded Port District CICC Haoze Equity Investment Partnership Limited Partnership* (寧波梅山保稅港區中金澔澤股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 13, 2017 and one of our [**REDACTED**] Investors
"CM Fund"	Shenzhen China Merchant Equity Investment Partnership Limited Partnership* (深圳國調招商併購股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on January 25, 2017 and one of our [**REDACTED**] Investors
"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", "our Company", "Pagoda", "we" or "us"	Shenzhen Pagoda Industrial (Group) Corporation Limited (深圳百果園實業(集團)股份有限公司), a joint stock company with limited liability incorporated in the PRC on April 10, 2020, and, except where the context otherwise requires (as the case may be), includes its predecessor, Shenzhen Pagoda Orchard Industrial Development Co., Ltd. (深圳百果園實業發展有限公司), a company with limited liability incorporated in the PRC on December 3, 2001
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Yu, Ms. Xu Yanlin (徐艷林), Hongyuan Shanguo, Hengyili Investment, Huizhi Zhongxiang and Shenzhen Huilin
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Non-competition I"	the deed of non-competition dated [●], 2022 and entered into by Mr. Tian Xiqiu in favor of our Company (for itself and as trustee for its subsidiaries), further details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Non-competition Undertakings"
"Deed of Non-competition II"	the deed of non-competition dated [●], 2022 and entered into by Mr. Yu and Ms. Xu Yanlin in favor of our Company (for itself and as trustee for its subsidiaries), further details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Non-competition Undertakings"
"Director(s)"	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
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the 5th meeting of the 10th Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會) on March 16, 2007, as amended, supplemented or otherwise modified from time to time
"EIT Regulations"	the Regulation on the Implementation of the EIT Law (中華人民共和國企業所得稅法實施條例)
"Extreme Conditions"	extreme conditions caused by a super typhoon, etc. as announced by the Government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry research consultant commissioned by us to prepare the Frost & Sullivan Report
"Frost & Sullivan Report" or "Industry Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is set out in the section headed "Industry Overview" of this document

"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, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Yuexiu"	Guangzhou Yuexiu Innovative Industry No. 2 Investment Fund Partnership Limited Partnership* (廣州越秀新興產業二期投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on January 21, 2016 and one of our [**REDACTED**] Investors
"H Share(s)"	overseas [**REDACTED**] shares in the share capital of our Company with a nominal value of RMB1.00 each, to be subscribed for and [**REDACTED**] in Hong Kong dollars and [**REDACTED**]

[**REDACTED**]

"Hainan Supply Chain"	Hainan Pagoda Supply Chain Management Service Co., Ltd.* (海南省百果園供應鏈管理服務有限公司), a limited liability company established in the PRC on September 18, 2020 and a wholly-owned subsidiary of our Company
"Hainan Wangpin"	Hainan Wangpin Agricultural Technology Development Co., Ltd.* (海南王品農業科技開發有限公司), a limited liability company established in the PRC on September 5, 2014 and a wholly-owned subsidiary of our Company

"Haiyang Jinchengtai"	Haiyang Chiang Mai Thai Agri-products Co., Ltd. (海陽津成泰農產品發展有限公司), a limited liability company established in the PRC on April 23, 1999 and a wholly-owned subsidiary of our Company
"Hangzhou Rongxi"	Hangzhou Rongxi Trading Co., Ltd.* (杭州茸希貿易有限責任公司), a limited liability company established in the PRC on March 19, 2021 and a wholly-owned subsidiary of our Company
"Hangzhou Wanggu"	Hangzhou Wanggu Trading Co., Ltd.* (杭州旺谷貿易有限公司), a limited liability company established in the PRC on May 18, 2022 and a wholly-owned subsidiary of our Company
"Hangzhou Wangxiao"	Hangzhou Wangxiao Trading Co., Ltd.* (杭州旺嘯貿易有限公司), a limited liability company established in the PRC on July 29, 2022 and a wholly-owned subsidiary of our Company
"Henan Zhanxin"	Henan Zhanxin Industry Investment Fund Limited Partnership* (河南省戰新產業投資基金(有限合夥)), a limited partnership established in the PRC on December 7, 2017 and one of our [**REDACTED**] Investors
"Hengwang"	Zhangshu City Hengwang Investment Management Limited Partnership* (樟樹市恒旺投資管理中心(有限合夥)), a limited partnership established in the PRC on November 24, 2015 and one of our Shareholders
"Hengyili Investment"	Shenzhen Hengyili Investment Development Center Limited Partnership* (深圳市恒義利投資發展中心(有限合夥)), a limited partnership established in the PRC on December 1, 2015, and is an employee shareholding platform and one of our Controlling Shareholders
"Heshun Liru"	Beijing Heshun Liru Enterprise Management Center Limited Partnership* (北京合順利如企業管理中心(有限合夥)), a limited partnership established in the PRC on November 21, 2016 and is an employee shareholding platform and one of our Shareholders
"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"HKFRS"	Hong Kong Financial Reporting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants

[**REDACTED**]

"Hongyuan Shanguo"	Shenzhen Hongyuan Shanguo Investment Development Limited Partnership* (深圳市宏願善果投資發展企業(有限合夥)), a limited partnership established in the PRC on April 13, 2015 and is an employee shareholding platform and one of our Controlling Shareholders
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"Hongtu Equity"	Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership)* (深圳市福田紅土股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 29, 2016, and one of our [**REDACTED**] Investors
"Huizhi Zhongxiang"	Beijing Huizhi Zhongxiang Enterprise Management Center Limited Partnership* (北京匯智眾享企業管理中心(有限合夥)), a limited partnership established in the PRC on November 18, 2016 and is an employee shareholding platform and one of our Controlling Shareholders
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are third party(ies) independent of our Company and our connected persons as defined under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Jiangxi Wangpin"	Jiangxi Wangpin Agricultural Technology Development Co., Ltd.* (江西王品農業科技開發有限公司), a limited liability company established in the PRC on May 13, 2003 and a wholly-owned subsidiary of our Company
"Jinnong Supply Chain"	Shenzhen Jinnong Supply Chain Management Co., Ltd.*(深圳市金農供應鏈管理有限公司), a limited liability company established in the PRC on May 12, 2021 and a non-wholly-owned subsidiary of our Company. As of the Latest Practicable Date, Jinnong Supply Chain was owned as to 75% by Pagoda Investment and 25% by Mr. Zheng Yuanzhong (鄭元中), an independent third party
"Jinyafu"	Shenzhen Jinyafu Lide Investment Limited Partnership* (深圳市金雅福禮德投資企業(有限合夥)), a limited partnership established in the PRC on November 14, 2018 and one of our [**REDACTED**] Investors
"Kunxin Xiangyi"	Ningbo Meishan Bonded Port District Kunxin Xiangyi Investment Partnership Limited Partnership* (寧波梅山保税港區鯤信襄益投資合夥企業(有限合夥)), a limited partnership established in the PRC on June 21, 2017 and one of our [**REDACTED**] Investors
"Latest Practicable Date"	[November 8], 2022, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Lingyu Jishi"	Shenzhen Lingyu Jishi Equity Investment Partnership (Limited Partnership)* (深圳市領譽基石股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 26, 2016 and one of our [**REDACTED**] Investors

[**REDACTED**]

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"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, 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
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC (中华人民共和国工业和信息化部)
"Mingrui No. 8"	Guangzhou Mingrui No. 8 Industry Investment Partnership Limited Partnership* (廣州明睿八號實業投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 9, 2016 and one of our [**REDACTED**] Investors
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Yu"	Mr. Yu Huiyong (余惠勇), an executive Director and the chairman of the Board, and one of our Controlling Shareholders

"M&G Equity"	Shanghai M&G Start-up Investment Center Limited Partnership* (上海晨光創業投資中心(有限合夥)), a limited partnership established in the PRC on May 12, 2011 and one of our [**REDACTED**] Investors
"Nanjing Sangeling"	Nanjing Sangeling Agricultural Technology Development Co., Ltd.* (南京三個零農業科技發展有限公司), a limited liability company established in the PRC on June 20, 2022 and a wholly owned subsidiary of our Company
"NDRC"	National Development and Reform Commission (中華人民共和國發展和改革委員會)

[**REDACTED**]

"Pagoda Airport"	Shenzhen Pagoda Airport Sales Co., Ltd.* (深圳市百果園空港銷售有限公司), a limited liability company established in the PRC on October 10, 2014 and a wholly-owned subsidiary of our Company

"Pagoda Bajie"	Beijing Pagoda Bajie Sales Co., Ltd.* (北京百果八街銷售有限責任公司), a limited liability company established in the PRC on July 15, 2020 and a wholly-owned subsidiary of our Company
"Pagoda Brand"	Shenzhen Pagoda Brand Management Co., Ltd.* (深圳百果品牌管理有限責任公司), a limited liability company established in the PRC on January 18, 2019 and a wholly-owned subsidiary of our Company
"Pagoda Commerce"	Shenzhen Pagoda Commerce Development Co., Ltd.* (深圳百果商業發展有限公司), a limited liability company established in the PRC on December 10, 2019 and a wholly-owned subsidiary of our Company
"Pagoda Changfeng"	Shenzhen Pagoda Changfeng Sales Co., Ltd. (深圳市百果常豐銷售有限公司), a limited liability company established in the PRC on December 18, 2015 and a wholly-owned subsidiary of our Company
"Pagoda Ecological Investment"	Pagoda Ecological Investment (Yunnan) Co., Ltd.* (百果生態投資(雲南)有限公司), a limited liability company established in the PRC on October 16, 2020 and a wholly-owned subsidiary of our Company
"Pagoda Fruit Products"	Guangdong Pagoda Fruit Products Co., Ltd.* (廣東百果園果製品有限公司), a limited liability company established in the PRC on December 28, 2020 and a non-wholly-owned subsidiary of our Company. As of the Latest Practicable Date, Pagoda Fruit Products was owned as to 51% by Pagoda Investment, 29% by Shenzhen Huiguo Enterprise Management Partnership (Limited Partnership)* (深圳慧果企業管理合夥企業(有限合夥)) and 20% by Dongguan Baiguo Biotechnology Co., Ltd.* (東莞百果生物技術有限公司)
"Pagoda Home"	Shenzhen Pagoda Home Food Sales Co., Ltd.* (深圳百果之家食品銷售有限公司), a limited liability company established in the PRC on November 22, 2021 and a wholly-owned subsidiary of our Company
"Pagoda Investment"	Shenzhen Pagoda Investment Development Co., Ltd.* (深圳市百果園投資發展有限公司), a limited liability company established in the PRC on June 26, 2015 and a wholly-owned subsidiary of our Company

"Pagoda Nongzi"	Pagoda Nongzi (Qingdao) Co., Ltd.* (百果農資(青島)有限公司), a limited liability company established in the PRC on July 1, 2022 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 75% by Younongdao and 25% by Youguolian
"Pagoda Preliminary Processing"	Guangdong Pagoda Agricultural Products Preliminary Processing Co., Ltd.* (廣東百果園農產品初加工有限公司), a limited liability company established in the PRC on August 11, 2015 and a wholly-owned subsidiary of our Company
"Pagoda Seeds"	Shenzhen Pagoda Seeds Co., Ltd.* (深圳市百果種業有限公司), a limited liability company established in the PRC on July 22, 2020 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 78.57% by our Company, 7.15% by Youguolian and 14.28% by Guangxi Zhencheng Agriculture Co., Ltd.* (廣西真誠農業有限公司)
"Pagoda Shulian"	Shenzhen Pagoda Shulian Technology Co., Ltd.* (深圳市百果數聯科技有限公司), a limited liability company established in the PRC on November 4, 2019 and a wholly-owned subsidiary of our Company
"Pagoda Supply Chain"	Pagoda Fruit Investment Management (Shenzhen) Service Co., Ltd. (深圳市百果園供應鏈管理服務有限公司), a limited liability company established in the PRC on June 18, 2014 and a wholly-owned subsidiary of our Company
"Pagoda Wangxi"	Beijing Pagoda Wangxi Sales Co., Ltd.* (北京百果旺西銷售有限責任公司), a limited liability company established in the PRC on October 12, 2019 and a wholly-owned subsidiary of our Company
"Pagoda Xinxiang"	Shenzhen Pagoda Xinxiang Technology Development Co., Ltd.* (深圳市百果心享科技發展有限責任公司), a limited liability company established in the PRC on April 24, 2019 and a wholly-owned subsidiary of our Company
"PBOC"	People's Bank of China (中國人民銀行)

"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), a enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Adviser"	Tian Yuan Law Firm, the legal adviser to our Company as to the laws of the PRC
"[**REDACTED**] Investor(s)"	the investor(s) of our Company who made investment(s) in our Company by purchasing registered capital of our Company from then existing Shareholders or subscribing for increased registered capital of our Company, details of which are set out in the section headed "Our History and Development — [**REDACTED**]" in this document

[**REDACTED**]

"Promoters"	the promoters of the Company, whose names are set out in "Statutory and General Information — D. Other Information — 7. Promoters" in Appendix VI to this document

[**REDACTED**]

"Qianhai Equity"	Qianhai Equity Investment Fund Limited Partnership* (前海股權投資基金(有限合夥)), a limited partnership established in the PRC on December 11, 2015 and one of our [**REDACTED**] Investors
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"Ruian Gangnan"	Ruian Gangnan Food Co., Ltd. (瑞安市港楠食品有限公司), a limited liability company established in the PRC on April 29, 2020 and a wholly-owned subsidiary of our Company
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the State Administration for Market Regulation (國家市場監督管理總局)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the People's Republic of China (中華人民共和國國家稅務總局)
"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"	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
"SFTZ III"	Shanghai Free Trade Zone No. 3 Equity Investment Fund Partnership Limited Partnership* (上海自貿試驗區三期股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on December 6, 2017 and one of our [**REDACTED**] Investors
"SGS"	SGS SA (formerly known as Société Générale de Surveillance S.A.), and, except otherwise indicates, all of its associates, a multinational company headquartered in Geneva, Switzerland, which provides inspection, verification, testing and certification services for a number of industries
"Shanghai Biotechnology"	Pagoda (Shanghai) Biotechnology Co.,Ltd.* (百果園(上海)生物科技有限公司), a limited liability company established in the PRC on June 4, 2021 and a wholly-owned subsidiary of Pagoda Fruit Products
"Shanghai Pagoda"	Shanghai Pagoda Industrial Co., Ltd.* (上海百果園實業有限公司), a limited liability company established in the PRC on March 13, 2020 and a wholly-owned subsidiary of our Company
"Shareholder(s)"	holder(s) of Shares
"Shares"	ordinary shares of our Company with a nominal value of RMB1.00 each, including our Domestic Shares and H Shares
"Shenzhen Capital"	Shenzhen Innovative Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), a company with limited liability established in the PRC on August 25, 1999 and one of our [**REDACTED**] Investors
"Shenzhen Henglichuang"	Shenzhen Henglichuang Technology Co., Ltd.* (深圳市恒利創科技有限公司), a limited liability company established in the PRC on July 4, 2018 and a wholly-owned subsidiary of our Company

"Shenzhen Huilin"	Shenzhen Huilin Industrial Development Co., Ltd.* (深圳惠林實業發展有限責任公司), a limited liability company established in the PRC on September 5, 2019 and one of our Controlling Shareholders
"Shenzhen Sangeling"	Shenzhen Sangeling Agricultural Technology Development Co., Ltd.* (深圳三個零農業科技發展有限公司), a limited liability company established in the PRC on February 18, 2022 and a wholly owned subsidiary of our Company
"Shenzhen Sangeling Jiucai"	Shenzhen Sangeling Jiucai Ecological Agricultural Development Co., Ltd.* (深圳三個零久彩生態農業發展有限責任公司), a limited liability company established in the PRC on June 28, 2022 and a wholly owned subsidiary of our Company
"Shenzhen Yimiaotong"	Shenzhen Yimiaotong Network Technology Co., Ltd.* (深圳易秒通網絡科技有限公司), a limited liability company established in the PRC on May 20, 2015 and a wholly-owned subsidiary of our Company
"Shenzhen Yitong"	Shenzhen Yitong Commerce Factoring Co., Ltd.* (深圳億通商業保理有限公司), a limited liability company established in the PRC on June 26, 2018 and a wholly-owned subsidiary of our Company
"Shenzhen Youxian"	Shenzhen Youxian Interactive Technology Co., Ltd.* (深圳市優鮮互聯科技有限公司), a limited liability company established in the PRC on January 10, 2020 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 65% by Baiguo Technology and 35% by Tanlian Information Technology (Beijing) Co., Ltd.* (碳鏈信息科技(北京)有限公司)

[**REDACTED**]

[**REDACTED**]

"Sole Sponsor"	Morgan Stanley Asia Limited
"Special PRC Legal Adviser"	Jingtian & Gongcheng, the special legal adviser to our Company as to PRC data privacy and protection matters

[**REDACTED**]

"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of our Company
"Suzhou Yuanhan"	Suzhou Yuanhan Equity Investment Partnership Limited Partnership* (蘇州源瀚股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on February 22, 2017 and one of our [**REDACTED**] Investors
"Tiantu Capital"	Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司), a joint stock company established in the PRC on January 11, 2010
"Tiantu Center"	Shenzhen Tiantu Capital Management Center Limited Partnership* (深圳天圖資本管理中心(有限合夥)), a limited partnership established in the PRC on April 18, 2012
"Tiantu Group"	for the purpose of this document, includes Tiantu Capital, Tiantu Center, Tiantu Management, Tiantu Tiantou, Tiantu Xingbei, Tiantu Xinghang, Tiantu Xinghui, Tiantu Xingsu, Tiantu Xingsi and Tiantu Xingshun
"Tiantu Management"	Hangzhou Tiantu Capital Management Limited Liability Company* (杭州天圖資本管理有限公司), a limited company established in the PRC on December 20, 2012

"Tiantu Tiantou"	Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center Limited Partnership* (成都天圖天投東風股權投資基金中心(有限合夥)), a limited partnership established in the PRC on November 17, 2016 and one of our [**REDACTED**] Investors
"Tiantu Xingbei"	Beijing Tiantu Xingbei Investment Center Limited Partnership* (北京天圖興北投資中心(有限合夥)), a limited partnership established in the PRC on June 26, 2015 and one of our [**REDACTED**] Investors
"Tiantu Xinghang"	Hangzhou Tiantu Xinghang Equity Investment Center Limited Partnership* (杭州天圖興杭股權投資中心(有限合夥)), a limited partnership established in the PRC on January 10, 2013
"Tiantu Xinghui"	Shenzhen Tiantu Xinghui Investment Limited Partnership* (深圳天圖興慧投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 3, 2019 and one of our [**REDACTED**] Investors
"Tiantu Xingshun"	Shenzhen Xingshun Investment Limited Partnership* (深圳興順投資合夥企業(有限合夥)), is a limited partnership established in the PRC on July 9, 2019 and one of our [**REDACTED**] Investors
"Tiantu Xingsi"	Shenzhen Xingsi Investment Limited Partnership* (深圳興思投資合夥企業(有限合夥)), is a limited partnership established in the PRC on April 3, 2019 and one of our [**REDACTED**] Investors
"Tiantu Xingsu"	Suzhou Tiantu Xingsu Equity Investment Center Limited Partnership* (蘇州天圖興蘇股權投資中心(有限合夥)), a limited partnership established in the PRC on June 13, 2013 and one of our [**REDACTED**] Investors
"Track Record Period"	the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022

[**REDACTED**]

"U.S." or "United States"	the United States of America
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
"Wenzhou Jiawang"	Wenzhou Jiawang Fruits Co., Ltd.* (溫州市佳旺水果有限公司), a limited liability company established in the PRC on April 23, 2021 and a wholly-owned subsidiary of our Company

[**REDACTED**]

"Xi'an Pagoda"	Xi'an Pagoda Co., Ltd.* (西安百百果水果有限公司), a limited liability company established in the PRC on July 28, 2021 and a wholly-owned subsidiary of our Company
"Xi'an Yuxing"	Xi'an Yuxing Fruits Sales Limited* (西安鈺星水果銷售有限公司), a limited liability company established in the PRC on July 27, 2021 and a wholly-owned subsidiary of our Company
"Xingxintou"	Shenzhen Xingxintou Investment Partnership Limited Partnership* (深圳市星鑫投投資合夥企業(有限合夥)), a limited partnership established in the PRC on September 20, 2017 and one of our [**REDACTED**] Investors
"Xinyu Shuoguo"	Xinyu Shuoguo Investment Center Limited Partnership* (新余碩果投資中心(有限合夥)), a limited partnership established in the PRC on March 6, 2018 and one of our [**REDACTED**] Investors

"Xinyu Unicorn"	Xinyu Unicorn Investment Management Partnership Limited Partnership* (新余獨角獸投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 30, 2016 and one of our [**REDACTED**] Investors
"Yitang Hongtu"	Beijing Yitang Hongtu Integrated Circuit and Internet Investment Fund Center Limited Partnership* (北京屹唐紅土集成電路與互聯網投資基金中心(有限合夥)), a limited partnership established in the PRC on June 28, 2016 and one of our [**REDACTED**] Investors
"Youguolian"	Youguolian Brand Management Company Limited* (優果聯品牌管理有限公司), a limited liability company established in the PRC on March 9, 2017 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 56.25% by Pagoda Investment, 25% by Beijing Kedao Brand Management Center Partnership (Limited Partnership)* (北京棵道品牌管理中心(有限合夥)) and 18.75% by Beijing Shanren Brand Management Center Partnership (Limited Partnership)* (北京善仁品牌管理中心(有限合夥))
"Younongdao"	Younongdao (Beijing) Technology Co., Ltd. (優農道(北京)科技有限公司), a limited liability company established in the PRC on April 23, 2018 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 46% by Pagoda Investment, 22% by Youguolian and 32% by Mr. Koiwai Masaaki
"Yuanmou Yuanshengyuan"	Yuanmou Yuanshengyuan Agricultural Technology Co., Ltd.* (元謀原生源農業科技有限責任公司), a limited liability company established in the PRC on June 26, 2014 and a non-wholly owned subsidiary of our Company. As of the Latest Practicable Date, it was owned as to 51% by Pagoda Investment and 49% by Mr. Chen Fusheng (陳福生)
"Zhichun Equity"	Ningbo Meishan Bonded Port District Zhichun Equity Investment Partnership Limited Partnership* (寧波梅山保税港區知春股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on August 11, 2017 and one of our [**REDACTED**] Investors

"Zhuopu"	Shenzhen Zhuopu Investment Development Partnership Limited Partnership* (深圳卓璞投資發展企業(有限合夥)), a limited partnership established in the PRC on May 2, 2017 and one of our [**REDACTED**] Investors

In this document, the terms "associate(s)", "close associate(s)", "connected person(s)", "connected transaction(s)", "core connected person(s)", "controlling shareholder(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

This glossary contains definitions of certain terms used in this document in connection with us and our business. Some of these may not correspond to standard industry definitions.

"AI"	artificial intelligence
"APP"	applications on smart mobile devices
"average revenue per store"	in this document, aggregate revenue derived from sales of products to franchised stores supervised by us or self-operated retail stores, as the case may be, in a given period divided by the average number of stores in the relevant period; average number of stores in the relevant period is calculated as the average of the number of stores at the beginning and ending of a given period
"CAGR"	compound annual growth rate
"cities"	in this document, prefecture-level cities in China
"first-tier cities"	in this document, Beijing, Shanghai, Guangzhou and Shenzhen
"IT"	information technology
"MAU"	members that have at least one purchase in a given month according to our records; users refer to users who registers as our members through Pagoda APP, Pagoda mini-program other channels and have at least one purchase
"modern retail"	typically refers to forms of retail including supermarkets, fresh food supermarkets and convenience stores
"new retail"	typically refers to a consumer-centric and data-driven form of retail
"omni-channel new retail"	typically refers to the integration of online and offline shopping, leveraging modern technologies, data and customer engagement techniques

"OMO"	in this document, online-merge-offline, referring to the operation model that leverages internet and data analytics to carry out structural upgrades on traditional retail stores in term of consumers, products and warehousing spaces, and utilizes various online channels to achieve multiple shopping scenarios including home delivery or in-store pickup
"Online orders"	purchase orders placed by consumers through our various online channels, comprising Pagoda mobile APPs, Pagoda WeChat mini-program, storefronts on mainstream e-commerce platforms (such as Tmall, JD.com) and social commerce platforms (such as Douyin) or through third-party food delivery platforms we partner with (such as Meituan, Koubei and Ele.me)
"Orders"	with respect to purchase orders placed by consumers, including online orders and orders placed offline at retail stores
"Pagoda ERP system"	the business procedural management system developed by us that is structured based on mid-end platforms synergistic technologies and customized for fruit industry, applicable for the integrated and collaborating working processes in fruit industry involving multiple entities, multiple layers and multiple sessions and multiple channels
"POS"	a retail management system for points of sale
"R&D"	research and development
"second-tier cities"	in this document, Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Tianjin, Nanjing, Changsha, Zhenzhou, Qingdao, Shenyang, Hefei, Ningbo, Kunming, Xiamen, Jinan, Fuzhou, Dalian, Harbin, Changchun, Shijiazhuang, Nanning, Guiyang, Nanchang, Taiyuan, Lanzhou, Taipei, Yinchuan, Haikou, Xining, Hohhot, Lhasa, Urumqi
"SOP"	standard operating procedures
"sq.m."	square meter

"store-as-warehouse"	store-centric retail business model where a store serves both as a retail front for offline purchase and as a storage for online purchase and delivery services, which provides OMO advantages and fulfills the need for flexible purchase and delivery options
"third- and below-tier cities"	in this document, cities other than first- and second-tier cities in China
"%"	percentage

FORWARD-LOOKING STATEMENTS

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

An* [REDACTED] *in our H Shares involves a high degree of risk. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to* [REDACTED] *our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the* [REDACTED] *of our H Shares could decline and you may lose all or part of your* [REDACTED]. *This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of many factors, including the risks described below.

Risks Relating to Our Industry and Business

Our business depends significantly on market recognition of our "Pagoda" and other trademarks and brands, 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.

Brand image is a key factor in consumer purchase decisions. We believe our success depends substantially on the popularity of our "Pagoda" trademark, which is our major channel brand for the offline retail stores. We also rely on other trademarks and brands that we use to market and promote our products, as well as our reputation in relation to our brands with high-quality fruits and other products. Therefore, maintaining and enhancing the recognition and image of our brands is critical to our ability to differentiate our products and services and to compete effectively. Any actual or perceived contamination, spoilage or other product misbranding or tampering may lead to the erosion of our brands and damage to our brand value, regardless of its merits.

We have invested significant resources in our distinctive combination of high-quality and popular products throughout our retail store network. 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 diminish 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 product quality and consistency 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 a consistently high-quality products, our brand value could suffer, which could have a material and adverse effect on our business.

Moreover, our established brand recognition has attracted certain imitators who operate counterfeit stores by intentionally using highly similar trademarks, trade names and/or logos with ours to mislead potential consumers. Although we are not liable for these misconducts committed by counterfeit stores, counterfeit or substandard products sold in counterfeit stores 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 our anti-counterfeiting efforts. However, we cannot assure you that any of our measures will provide effective prevention and any infringement act could adversely affect our reputation, results of operations and financial condition.

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, which could adversely affect our business and operations" below.

Our extensive offline retail store network consists primarily of franchised stores that are operated by third parties. Our results of operations are significantly subject to the performance of the franchised stores. We cannot control and may not be able to effectively monitor the operations of these stores or maintain our current relationship with the franchisees or regional dealers.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had 1,451, 1,772, 2,119 and 2,272 franchisees. As of the same date, our offline retail store network had a total of 4,302, 4,748, 5,234 and 5,435 franchised stores, respectively, including the franchised stores supervised by us and by regional dealers. In comparison, we had only 5, 9, 15 and 16 self-operated retail stores as of the respective dates. During the Track Record Period, our revenue was significantly contributed by the franchised stores, including the revenue generated from the sales of products which were directly driven by the in-store sales, and the monthly royalty fee, which was also linked to gross profit achieved by respective store pursuant to the franchise arrangements. Therefore, our results of operations are significantly subject to the performance of these franchised stores, which in turn, reflects the marketing ability and management skills of our franchisees. Poor performing stores, if the total number of which is significant, will materially and adversely affect our revenue and profitability. Under extreme circumstances, we may consider terminating the franchise arrangements and closing the relevant store pursuant to our arrangements with the franchisees, if the performance of the franchised store remains unsatisfactory for a prolonged period of time. If one of our franchisees goes bankrupt, there may be negative impacts on whether we are able to recover our receivables, and closure of stores may also have negative impacts on our brand image.

On the other hand, our franchisees independently manage their business, and are responsible for the daily operation of their own retail stores by themselves. Therefore, the success and quality of the franchised stores are ultimately dependent on the franchisees themselves. We are unable to control the action of our franchisees. Our contractual rights and remedies under the relevant agreements are considerably limited, and obtaining such remedies or filing a lawsuit may be costly. Although we have developed a robust franchise management system to train, supervise and manage our franchised stores, we may not be able to monitor their operations as directly and effectively as our own self-operated stores. For example, we rely on our franchisees to strictly comply with our technical protocols and quality standards to ensure that all fruits available in stores are in the best conditions and within optimal shelf life.

However, there is no assurance that our franchisees will always follow our technical protocols and quality standards. If our current measures to monitor and manage our franchised stores are not adequate or effective enough for us to identify any non-compliance of our franchisees in a timely manner, our reputation may be adversely affected. We also rely on franchisees to implement our strategic initiatives and marketing programs. If any of our franchisees does not comply with our retail policies or operating procedures, our reputation and brand image may be negatively affected. Furthermore, we currently use the store-level POS system, which is linked to our Pagoda ERP system, to track and monitor the purchases, sales and inventory data of each franchised store. For example, according to our ERP system, as of December 31, 2019, 2020 and 2021, June 30, 2022 and the Latest Practicable Date, the total outstanding inventory balance, which included fruits, other food products and consumables, of our franchised stores amounted to approximately RMB162.4 million, RMB152.7 million, RMB178.3 million, RMB128.5 million and RMB189.5 million, respectively. Although we have endeavored to enhance the accuracy and security of our IT systems, the effectiveness of our data collection and monitoring may be compromised if our franchisees knowingly or mistakenly tamper their data inputs. Moreover, pursuant to the franchise arrangements between us and our franchisees, we are entitled to the access to operational and financial information of our franchisees. However, if our franchisees are unwilling to cooperate, we may not be able to effectively retrieve such information and therefore, fail to accurately assess the operations of the relevant stores.

There may be a series of litigation risks relating to our franchisees or franchised stores, including but not limited to consumer complaints, personal injuries, litigations initiated by employees due to improper termination of contracts, and so on. Although we do not directly undertake costs incurred in each of the above types of proceedings, these complaints may increase the costs of our franchisees, have a negative impact on their profitability, and limit the funds available for their business operations, or affect our ability to renew our franchise arrangements, which will further adversely affect our business operations and results of operations, and may negatively impact our brand image.

Moreover, we engage regional dealers to facilitate us in exploring new regional markets. Subject to our arrangements with these regional dealers, they are mainly responsible for identifying and referring qualified franchisees to us, providing franchisee training and store supervision, and supplying fruits and other products to these franchisees. These franchised stores managed by our regional dealers are equipped with the same operational systems as those in franchised stores supervised by us. Through these systems, we are able to monitor the store activities on a real-time basis. However, we delegate the responsibility of franchisee training and daily store supervision to our regional dealers. Despite the fact that the store operational procedures and processes applicable to them are identical to those of the franchised store supervised by us, we cannot assure you that our regional dealers have fulfilled their duties in a satisfactory manner, or have provided trainings to the franchisees under their responsibility or conducted store supervision in a timely manner. If the products or services delivered by those franchised stores fail to meet our quality standards, our reputation, business and results of operations may be adversely affected.

Although we have maintained stable relationships with the majority of our franchisees and all of our regional dealers, we cannot assure you that all of our franchisees (including franchisees recommended and supervised by regional dealers) will maintain their business relationships with us by renewing the existing franchise agreements upon their expiry on terms acceptable to us, or at all. If any of our franchisees or regional dealers terminates or does not renew its agreement with us, we may not be able to replace such franchisees or regional dealers in a timely manner, on terms acceptable to us, or at all. Further, we cannot assure you that our franchisees or regional dealers will continue to purchase from us at historical levels in the future. In the event that a significant number of our franchisees or regional dealers substantially reduce their volume of purchases or fail to fulfill their obligations under the relevant arrangements, or if we lose a significant number of our franchisees or regional dealers and are unable to effectively replace them in a timely fashion, our business, financial condition and results of operations could be materially and adversely affected.

Extreme weather conditions, natural disasters, crop diseases, pests and other natural conditions and other unexpected events 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, forest fires and floods. Unfavorable conditions can reduce both fruit yield and 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. 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 the significant volatility for our fruit supply, and thus, our business and results of operations.

The supply of our fruits is also vulnerable to crop diseases and pest infestations, which may vary in severity, depending on the stage of production 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 fruit yield 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.

In addition, under certain circumstances, unexpected events other than natural disasters may also cause a volatility in the supply of our fruit products. For example, since mid-2018, the prolonged trade war between China and the United States has led to constraints on fruit supply imported from the United States and we also have incurred additional procurement costs in connection with such imported fruits. Given that fruits imported from the United States accounted for an insignificant portion of our total procurements during the Track Record Period, our business and results of operations were not materially and adversely affected. In addition, since late 2019, the outbreak of COVID-19 has continued to spread within the PRC and globally. The outbreak has caused temporary closure to some retail stores in certain cities in China, while the retail stores in other areas also experienced a decrease in consumer traffic, which in turn, adversely affected our business and results of operations. Refer to "— Our business is subject to the national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics" below for a more detailed discussion about the impacts of COVID-19 on us. These social and other public events are beyond our control and we cannot assure you that similar events will not happen in the future and our business and results of operations may not be adversely affected. For more details of impact of COVID-19 on our business, please refer to the section headed "Business — Effects of the COVID-19."

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

Food safety and quality are critical to our reputation and business success. Maintaining consistent food safety and quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems, the expertise of our quality control personnel, the investments in testing technologies and equipment, as well as our ability to ensure that our employees and other third parties involved in our operations, such as suppliers and third party logistic service providers, adhere to those quality control policies and guidelines. Although we implement quality control standards and measures throughout our entire operating processes as detailed in "Business — Food Safety and Quality Control", 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 the products sold at the offline stores, which could lead to liability claims, reduced consumer traffic at the offline stores and the imposition of penalties or fines by relevant authorities. We may become subject to public scrutiny mainly relating to the safety and quality of our food products. From time to time, these criticisms, complaints and negative media coverage, regardless of their veracity, may result in public protests or negative publicity, which could result in government inquiry or harm our reputation and brand, and may adversely affect our business and prospects.

In addition, we have launched the instant refund service. If the consumer thinks the fruit is not as delicious as he/she expects, he/she may claim a refund up to 100% of the selling prices without presenting the product and invoice, nor providing a good reason. In order to encourage our franchisees to fully execute our instant refund service policy, depending on how the orders are fulfilled, we currently agree to share up to 60% of the refund amount that exceeds the procurement cost incurred by the relevant franchisee, the equivalent of which will be deducted from the procurement amount in the settlement next month. On the other hand, we may experience product return claims from our franchisees, although due to the nature of fruits, we typically accept product returns from the franchisees only if there are quality defects or mistaken delivery. If we are not able to maintain the quality of our products, we may experience an increasing number of instant refund claims or return claims from our franchisees, which will materially and adversely affect our reputation, our business, results of operations and financial condition.

During the Track Record Period and up to the Latest Practicable Date, the expenses in relation to the instant refund service were insignificant, and we had not encountered any material product quality claims against us, nor had we received any material administrative penalties in this regard. The expenses we incurred in connection with our instant refund service were immaterial and accounted for approximately 0.07%, 0.18%, 0.15% and 0.20% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. 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 product liability claims against us could result in potentially significant monetary damages and require us to make significant payments.

The supply volume and prices of our products may fluctuate subject to various factors.

The business and financial impacts caused by purchase cost of fruits are significant. Fresh fruits are highly perishable and most fruits must be brought to market and sold very shortly after harvest. The price for a certain type of fruit may fluctuate significantly subject to various factors such as supply of and demand for such fruit, and the availability and quality of such fruit in the market. Weather condition in various parts of China and worldwide is one of the primary factors affecting the fruit yield and quality. In addition, cultivation technologies and post-harvest processing technologies may also affect the supply and quality of different types of fruits. For example, fruit products under our Excellent and Grade A categories generally have a higher price than the same type of products classified under lower grades.

Oversupply of certain types of fruits without a corresponding increase in consumer demand may decrease the prices for our 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 received for our products due to the factors described above could have a material and adverse effect on our business, results of operations and financial condition.

We may not be able to successfully expand our retail network.

Our rapid growth is largely attributable to our extensive and well-managed retail store network which has been a critical factor in driving our business growth and strong results. As of the Latest Practicable Date, our offline store network comprised of 5,613 stores located in over 140 cities in 22 provinces and municipalities across China. Among these, 5,594 were franchised stores and 19 were self-operated stores. To further increase our market share, we expect to continue to expand our geographic coverage and deepen our market penetration. To this end, we intend to engage more quality franchisees, through identification by ourselves or referral by our regional dealers, to increase the number of the franchised stores. However, we cannot assure you that we will be able to successfully contract new franchisees or open new franchised stores as scheduled. We may not be able to contract franchisees or regional dealers with industrial experience and managerial skills, to educate and train the franchisees and their staff, or to identify attractive locations for new stores. Franchisees and regional dealers may also decide to cease the business relationship with us if they find our services and support, including the factoring arrangements we provide to regional dealers, not attractive. Furthermore, if we are unable to properly plan our store network expansion, an increasing number of retail stores in one certain region may cause cannibalization and unhealthy competition. Geographical location of the offline retail stores is of significant importance to the operation of the retail stores. We cannot assure you that the current location of the retail stores will remain attractive when there are changes in surrounding environment or local economic conditions. Surrounding geographic and economic conditions may cause the location of the retail stores to be unsatisfactory, which may further lead to a decrease in their sales volume. Retail stores with a fixed lease term may be subject to the risk that rental payments may be made for a fixed term, even if there is a possibility of a decline in performance or other unpredictable events before the lease expires.

In addition, to fully support the expansion of our retail store network, we are also required to secure a stable and sufficient supply of high-quality fruits and other products, establish an efficient logistics and warehousing system nationwide, and attract and retain skilled store supervisors and other personnel. In addition, the rapid expansion of our retail store network will impose increasing pressure on our managerial, financial, operational and other resources. We may not be able to effectively integrate any new stores into our existing operations. If we are unable to effectively manage our expansion or control rising costs associated with our expansion, our growth potential and profitability could be materially and adversely affected.

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 cultivate, source and sell a variety of high-quality fruits. Going forward, we intend to continue to identify and cultivate new fruit types and other products to further increase and diversify our product offerings. In particular, we intend to continue to leverage our well established proprietary 4-grade fruit quality classification system and promote more fruit products under our categories of Excellent and Grade A. However, there is no assurance that we will always succeed in selecting and sourcing high-quality products that cater to the preference and needs of our consumers or to achieve anticipated sales at competitive prices, especially those fruits sourced from foreign countries 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 and marketing. In addition, one of our development strategies is to develop domestically renowned fruit category brands. Building a high-quality brand requires significant investment in technology, capital and manpower. This includes not only the investments in the early stage of research and development, including self-development and joint research and development with the partners in our ecosystem, 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 category brand, and similarly, it takes time to develop brand recognition among consumers after investment in the market.

Furthermore, we have expanded our product offerings to other fresh groceries. We hope to further expand our market share in the fresh groceries market by duplicating our success in the fruit retailing business. We also intend to establish proprietary and renowned product brands for other fresh groceries as well. We cannot assure you that our investments in this area will deliver our expected returns.

On the other hand, we have implemented a multi-channel brand strategy and the franchised stores are operated under several channel brands. We have also been actively reserving additional regional channel brands and intend to develop or acquire new brands. This may require significant expenses, marketing, and planning and managerial skills. We may not be able to successfully position our new channel brands or to integrate them into our existing brands.

Our business is subject to the national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, COVID-19 or an outbreak of any other epidemics in China, especially in the cities in which the retail stores are located, may result in material reduction in consumer traffic, interruption to their sales and supply chain disruptions, which in turn may adversely affect our business, financial condition and results of operations.

Since late 2019, COVID-19 has continued spreading in the world, including China. On January 23, 2020, the PRC Government announced the lockdown of Wuhan. Since then, stringent containment measures including travel restrictions had been imposed in other major cities in the PRC in an effort to contain the outbreak of COVID-19. The outbreak, which has resulted in a high number of fatalities, also has had an adverse impact on the livelihood of the people in China and on its economy, particularly Wuhan and other cities in Hubei Province at the early stage of outbreak. In 2020, the retail industry in the PRC was materially impacted during the mass quarantines as many stores adopted protective measures and issued a temporary closure.

Our business operation and financial performance for the year ended December 31, 2020 were affected by the COVID-19 pandemic. From the end of 2019 to May 2020, a total of 191 of the retail stores had suspended operations for an average of over 10 days to comply with the local governments' mandatory restrictive measures, most of which were located in Hubei Province. Due to the COVID-19 outbreak, the consumer traffic to other stores that did not close had also declined significantly in general. To respond to the evolving situations of the COVID-19, we introduced certain temporary policies to support our franchisees and regional dealers during this difficult time. For example, to support those stores remaining open during the COVID-19 outbreak, we temporarily adjusted upwards the discounted rates in connection with their purchases from us. For the month of February 2020, we exempted the interests on the loans under our financial support arrangements with franchisees and regional dealers. Moreover, given the number of online orders experienced a considerable increase during the COVID-19 outbreak, we exempted the monthly royalty fees in connection with online orders that were fulfilled by offline stores for February 2020. We also incurred expenses to provide protective materials to our employees and store staff and participated in various charitable donations.

The COVID-19 pandemic has been generally under control since 2021. However, during the period from January 1, 2022 to the Latest Practicable Date, there have been resurgences of COVID-19 outbreak, including the COVID-19 Delta and Omicron variant cases, from time to time in multiple cities in China, and the local governments re-imposed certain quarantine and other restrictive measures. Certain offline retail stores in those affected areas were subject to temporary closure but to the extent practicably possible, maintained operations to respond to online orders. However, neither the number of stores closed at the same time nor their respective closing time are significant. See "Business — Effects of the COVID-19" for more details.

There is no assurance as to when the COVID-19 will be completely contained. Our business operations and financial condition may continue to be materially and adversely affected as a result of the changes in the outlook of the retail market, any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

We may not be able to maintain an active and expanding member base.

We believe our success is partially attributable to a large and active member base which is a result of our successful membership marketing and operation. As of the Latest Practicable Date, we had accumulated over 72 million members. The average number of MAU in 2021 amounted to over 7 million. The number of our paying members reached over 910 thousand as of the Latest Practicable Date. In 2021, the monthly purchase frequency and monthly purchase amounts of our paying members were approximately 140% and 160%, respectively, higher than those of non-paying members. In addition, through our OMO strategy by driving offline traffic to online, we are able to convert single-channel consumers to multi-channel consumers.

We endeavor to deploy various marketing initiatives, online and offline, to reach a broad consumer base and encourage their purchases. We design customized membership privileges based on the multi-layer memberships to stimulate repeat purchases and increase member loyalty. We also establish our presence on trending social commerce platforms, by means of appealing and engaging promotional content, short-form videos and live streaming, to interact with our members and raise our brand recognition. However, our efforts to expand member base and to increase their engagement level may not always be successful. If our members find our membership privileges no longer attractive and become inactive, their purchases may decrease, which in turn, will materially and adversely affect business, results of operations and financial condition.

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, which mainly represent outstanding payments for purchases of our products by our customers, which mainly comprise franchisees, regional dealers and other direct sales customers. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our trade receivables amounted to RMB1,443.7 million, RMB1,290.9 million, RMB1,156.2 million and RMB1,083.1 million, respectively. We generally grant our customers a credit term of up to three months. In addition, during the Track Record Period, we also recorded certain amounts of other receivables, including the loans we provided from time to time to our franchisees, certain associates and selected third parties. These third parties were fruit retail industry participants, mainly fruit suppliers, which we considered strategically cooperating with. As of the Latest Practicable Date, except for the financial supports to our franchisees, regional dealers and suppliers, we had ceased to provide loans to associates and third parties. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance of our loans to franchisees, certain associates and selected third parties amounted to RMB80.3 million, RMB139.3 million, RMB185.4 million and RMB190.8 million, respectively. As of the same dates, the outstanding financing amounts under factoring arrangements with regional dealers and suppliers were RMB262.3 million, RMB252.4 million, RMB238.0 million and RMB169.5 million, respectively. The ability of our franchisees, regional dealers, suppliers, certain associates and other selected third parties to repay such loans and other receivables depends on a number of factors, some of which are beyond our control. If the performance or creditworthiness of the above parties deteriorates, they may not be able to make repayment of loans or other outstanding payments to us in full in a timely manner. Although the ageing of the majority of our trade receivables was less than three months during the Track Record Period, and these third parties generally kept a sound repayment track record, we cannot guarantee that we will always be able to recover these amounts in a timely manner in the future. A provision for doubtful debts is made for the amounts of trade receivables that represents the expected credit loss which we have assessed by considering historical default rates, existing market conditions and forward-looking information. If the receivables are determined to be irrecoverable, the provision for doubtful debts of such receivables will be written off. 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.

We may need to make allowance for impairment of prepayments, deposits and other receivables.

As of December 31, 2019, 2020, 2021 and June 30, 2022, our current portion of prepayments, deposits and other receivables was RMB577.5 million, RMB619.1 million, RMB861.8 million and RMB766.6 million, respectively; our non-current portion of prepayments, deposits and other receivables was RMB83.9 million, RMB247.9 million, RMB321.4 million and RMB350.9 million as of the same dates, respectively. Our prepayments, deposits and other receivables mainly include (i) prepayment for purchases of fruits and other food products, which represent prepayments we paid to third-party suppliers for fruits and other food products; (ii) interest-bearing loans to franchisees; (iii) factoring amounts to regional dealers, which represent our provision of financing to the regional dealers; (iv) other prepayments, which mainly represent prepayments we assumed in connection with equipment and decoration for franchised stores under our modified arrangements. There is no guarantee that counterparties will perform their obligations in a timely manner, and we are subject to credit risk in relation to prepayments, deposits and other receivables. We make allowance for impairment of prepayments, deposits and other receivables when we determine the chances of recovering the relevant amounts due are remote. We conduct assessments on the recoverability of prepayments, deposits and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. The balance of our allowance for impairment of prepayments, deposits and other receivables was RMB11.8 million, RMB7.6 million, RMB7.8 million and RMB6.7 million as of December 31, 2019, 2020, 2021 and June 30, 2022, respectively. During the Track Record Period, in relation to such prepayments, deposits and other receivables, we recorded (i) net impairment losses amounting to RMB7.8 million for the year ended December 31, 2019; (ii) net reversal of impairment loss amounting to RMB4.2 million for the year ended December 31, 2020; (iii) net impairment losses amounting to RMB0.2 million for the year ended December 31, 2021; and (iv) net reversal of impairment loss amounting to RMB1.1 million for the period ended June 30, 2022. As our management's estimates and related assumptions were made in accordance with information available to us at the time the allowance was determined, there is no assurance that our expectations or estimates will remain accurate for the future. If we are not able to recover the amount as scheduled, we may need to make allowance for impairment of prepayments, deposits and other receivables and our business, financial condition and results of operations may be adversely affected.

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

We focus on the long-term development and interests of us and the participants in our ecosystem. We from time to time develop and adjust our business strategies in order to adapt into the competitive industry and maintain our leading market position. However, our strategies may not achieve the expected goals as planned. For example, we have invested, and will continue to invest, in strategic acquisitions which we believe are supplementary to our existing operations, and/or enable us to better access and control the downstream or upstream of our value chain. However, our newly invested businesses may have lower or negative margins, and are in the early stages of exploring, establishing and optimizing their business models. We believe these investments and initiatives are crucial to our success and future growth, but they may have an effect of increasing our costs and lowering our margins and profit, and this effect may be significant in the short term and potentially over a prolonged period. Acquired businesses that are loss-making may continue to sustain losses and may not become profitable in the near future or at all. The performance of our current and future equity investees and investment areas may also adversely affect our net income. There can be no assurance that we will be able to grow our acquired or invested businesses, or realize returns, benefits of synergies and growth opportunities we expect in connection with these investments and acquisitions. For more details about the risks relating to our acquisitions and investments, please also refer to "— Our operations are subject to the risks associated with acquisitions and investments in joint ventures and associates."

In addition, we may explore new business initiatives. For instance, we have expanded our business to fresh groceries other than fruits. We believe our proven track record of and experience in selling high-quality fruits, as well as our franchise business model with well-established warehousing and logistic network, will enable us to duplicate the success when expanding to other sectors of fresh groceries. However, the fresh grocery retail industry in the PRC is highly dispersed and competitive. To compete effectively as a new comer, we may adopt various marketing and promotional initiatives to attract consumers and boost sales, which may result in an increasing marketing expenses and a lowered margin in the near term. There is no assurance that our marketing and promotional initiatives will be successful and we may not be able to retain the consumers if our promotions, such as sales discounts, are discontinued. Moreover, further development of fresh grocery retailing business will also place higher demands on us in connection with supply chain management, storage and logistics and may generate higher operating expenses.

Disruption of relationships with our significant suppliers could negatively affect our business. A shortage in the production capacity of our suppliers, or a material fluctuation in the procurement cost, may materially and adversely affect on our business and the results of operations.

Identifying high-quality suppliers and maintaining a stable business relationship with them are critical for our business operations. We currently had over 1,000 suppliers as of the Latest Practicable Date. During the Track Record Period, purchases from our five largest suppliers amounted to RMB1,668.1 million, RMB1,586.0 million and RMB1,797.1 million in the years ended December 31, 2019, 2020 and 2021, respectively, representing approximately 21.4%, 20.4% and 20.6% of total purchases over the same periods. Purchases from our largest supplier amounted to RMB577.1 million, RMB586.4 million and RMB705.3 million in the years ended December 31, 2019, 2020 and 2021, respectively, representing approximately 7.4%, 7.7% and 8.1% of total purchases over the same periods. In the six months ended June 30, 2022, aggregate purchases from top five suppliers amounted to approximately RMB1,136.3 million, accounting for approximately 22.8% of our total purchase cost, and purchase from our largest supplier amounted to approximately RMB455.2 million, accounting for approximately 9.1% of our total purchase cost in the same period, respectively. 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.

Our ability to continue to source high-quality products from our suppliers in a timely and cost-effective manner is subject to a number of factors, some of which are not within our control. These factors include the ability of our suppliers to maintain a continued and stable source of supply, and our ability to effectively compete and obtain competitive prices from suppliers. The productivity of our suppliers may also be negatively affected by staffing shortages, strikes or other circumstances resulting in disruption of work of employees. Mainly due to the broad variety of fruit products we sell in different seasons, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any delay or shortage in the supply of any particular type of fruit products that had materially and adversely interrupted our business operations. However, we cannot assure you that our suppliers could maintain their supply at the same or similar level of product quality and quantity in the future, nor could we 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 condition, results of operations and cash flows. In particular, it will be more challenging for us to identify replacement suppliers for our Excellent and Grade A fruits which generally have higher quality standards. If our business relationships with such key 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 condition and results of operations.

Failure to maintain optimal inventory levels could increase our loss rate or cause us to lose sales, either of which could have a material adverse effect on our business, financial condition and results of operations.

Maintaining an optimal level of inventory is critical to the success of our business. Fresh fruits generally have a short storage and shelf life and high turnover in nature. For example, with respect to perishable fruit products, pursuant to our inventory policies, the average inventory turnover from our preliminary processing and distribution centers to the retail store is generally around 2.5 days. We are exposed to increased inventory risks as a result of a variety of factors beyond our control, including changing consumer preferences, expansion of our store network, uncertainty of market acceptance of our new products, unexpected extreme weather conditions or seasonality. Although we proactively adjust our procurement plans from time to time based on our analysis of data collected from the retail stores, including their procurements 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 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. If a sudden decrease in the market demand and the corresponding unanticipated drop in the sales of our products could cause our inventory to accumulate, we may suffer from an increasing loss rate given the nature of the 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.

During the Track Record Period, we did not record any material inventory write-offs. Inventory loss accounted for approximately 0.010%, 0.003%, 0.034% and 0.045% of total cost of inventories sold, respectively, in the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022. However, 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. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important business purposes. Any of the above may materially and adversely affect our cash flow, results of operations and financial condition.

Our regional preliminary processing and distribution centers, self-operated stores and most of our franchisees' franchised stores are located in leased properties. We, our regional dealers and franchisees may not be able to renew current leases or locate desirable alternatives for relevant leased properties.

Currently, all of our regional preliminary processing and distribution centers across China are located in leased premises. Leases for our distribution centers generally have a term ranging from five to ten 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 our preliminary processing and distribution centers, we may not be able to secure desirable locations in a timely manner or on reasonable commercial terms, which in turn, may cause interruption to our operations. In addition, we would incur additional relocation costs, thus affecting our business operations and financial condition. In addition, our certain leased properties may be exposed to the risk of invalid lease agreements under the relevant laws and regulations as a result of the failure to obtain valid proof of ownership of the property by the landlords. 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.

On the other hand, most of our self-operated stores and the franchised stores are also located on leased premises. Leases for these stores are generally in a short term. Our and our franchisees' ability to renew existing leases upon their expiry at reasonable commercial terms is crucial to the stores' continuous operations and profitability, especially for those in locations with high volume of consumer traffic. At the end of each lease term, we and our franchisees may not be able to negotiate an extension of the lease with the landlord and may therefore be forced to vacate the leased premise and move to a less favorable location. Moreover, due to rapid rental increases in the PRC, we and our franchisees may not be able to renew the existing leases at reasonable prices. We compete with other retail businesses, including our competitors, for premises at desirable locations and/or of desirable sizes. Therefore, we and our franchisees 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 relevant stores to areas with unsatisfactory flow, which may materially and adversely affect their results, and in turn could materially and adversely affect our business and results of operations.

We may be forced to relocate due to title defects of such leased properties or be subject to fines as a result of unregistered leases.

Certain office spaces, including the premises where our current headquarters are located, and certain preliminary processing and distribution centers are located in leased properties that 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 from these leased properties. For example, some leased properties did not obtain the certificate of ownership because of historical reasons relating to urbanization process and the application procedure. Some leased properties are located on state-appropriated land on collectively owned land. Some lessors are not able to provide us sufficient or valid confirmation certificate to prove that we have satisfied requirements relating to the leased properties. We believe that land with such defects is not uncommon in China. As of the Latest Practicable Date, there are approximately 73,209 square meters of leased properties in total that has the above mentioned defects, approximately 26,352 square meters of which are our preliminary processing and distribution center. As advised by our PRC Legal Adviser, it is the relevant lessors' responsibility to comply with the relevant requirements and to obtain the relevant ownership certificates. Any failure to fulfill such procedures may subject the relevant lessors to penalties imposed by the land administrative authorities, construction administrative authorities or planning authorities and the lease agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, 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 from the such properties and relocate our offices or distribution centers, which may subject us to temporary interruption to our regional business operations and additional relocation costs, thus further affecting our business operations and financial condition. For risks in connection with relocating our preliminary processing and distribution centers, also see "— Any unexpected or prolonged disruptions for our warehouse operations could adversely affect our business."

The property leases for the remaining preliminary processing and distribution centers operated by our regional dealers were entered into by the relevant regional dealers themselves. Moreover, under the PRC law, all lease agreements are required to be registered with the relevant real estate administration bureaus. However, as of the Latest Practicable Date, all of our 175 lease agreements for 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 Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000. The aggregate amount of maximum fine will be approximately RMB1.8 million. See "Business — Properties — Leased Properties — Lease Registration" for more details.

Any unexpected or prolonged disruptions for our warehouse operations could adversely affect our business.

Our nationwide warehousing network currently has 29 preliminary processing and distribution centers, 16 of which are operated by us, including 2 leased from third-party warehousing service providers. The remaining 13 are operated by our regional dealers in accordance with our requirements. 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 distribution center, or to relocate to another suitable location promptly with well-equipped facilities, our business operations will be materially and adversely interrupted, which in turn, will affect our results of operations. For example, historically, certain preliminary processing and distribution centers had encountered fire incidents. During the Track Record Period and up to the Latest Practicable Date, such fire incidents have not caused any interruption to our operations that has a material adverse impact, nor have they subjected us to any material administrative penalties. We have implemented enhanced fire safety measures, see "Business — Health and Safety Matters" for more details. However, we cannot assure you that our enhanced prevention measures are effective and sufficient. If any of our preliminary processing and distribution centers experiences a material fire incident or the aforesaid prevention measures are not adequately implemented in the future, we may lose the products stored therein, incur significant costs and expenses to restore or to relocate such distribution centers, and/or be determined by the relevant authorities to be in violation of the fire safety laws and regulations and subject to relevant administrative penalties. If such a fire incident causes damages to other third parties, we may also be required to compensate if we are determined to be partially or fully responsible for such fire. Under such circumstances, our business operation, results of operations and financial condition may be adversely affected.

In particular, due to the fragile and perishable nature of our fruits, we have established detailed technical criteria as to temperature and humidity for the warehousing and logistics of each type of fruits. Moreover, our preliminary processing and distribution centers are separated into different temperature zones to satisfy the different warehousing requirements. In addition, each of our preliminary processing and distribution centers is also equipped with ripening rooms which allow the artificial ripening process under our controlled conditions. If we incur any material equipment breakdown, such as the equipment failure for temperature or humidity control for a prolonged period of time, the quality of the fruits stored in the relevant warehousing spaces may be compromised. We may have to downgrade their quality level or even discard and absorb the relevant costs. In addition, repairing or adding equipment and machinery for our preliminary processing and distribution centers 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 preliminary processing and distribution centers.

We and the retail stores 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, we are required to maintain various approvals, licenses and permits in order to operate our business in the PRC. Currently, we are required to maintain business license for our operations. Moreover, as we continue to expand the offerings of our products and services both offline and online, 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, hygiene, environmental protection and fire safety. These approvals, licenses and permits are subject to examinations or verifications by relevant authorities and are 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 resolving any deficiencies. Although pursuant to our franchise arrangements, our franchisees are responsible for obtaining and maintaining requisite license and permits for their franchised stores, any no-compliance may cause a temporarily close to the relevant retail store until it satisfies all legal and regulatory requirements, which may in turn adversely affect the operations and results of operations. We and our franchisees are experiencing difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores or other operations. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our reputation, business and financial performance. In addition, there can be no assurance that we or our franchisees will be able to obtain or renew all of the approvals, licenses and permits required for existing stores and business operations in a timely manner, if at all. If any of these occurs, our ongoing business could be interrupted and our expansion plan may be delayed.

IT system failures or breaches of our network security could interrupt our operations and adversely affect our business.

Our business relies on the proper functioning of our IT systems. We rely on our advanced IT systems and network infrastructure, which seamlessly integrate Pagoda ERP, store-level POS system and other operational sectors, to enable us to quickly and efficiently retrieve, process and analyze our operational and financial data and information, including procurement, inventory, logistics and sales, on a daily basis. We also leverage the store-level POS system to monitor the daily operations of our retail store network. We use our Pagoda ERP system to process the purchase orders requested from the retail stores on a daily basis, make logistics arrangements and financial settlement, which in turn, facilitates us to analyze and manage our inventory control and procurement plans. As such, any damage or failure of our IT systems or network infrastructure that causes an interruption to our operations could have a material and adverse effect on our business and results of operations. We also need to constantly upgrade and improve our IT systems to keep up with the continuous growth of our operations and business. 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.

Moreover, our business generates and processes a large quantity of personal, behavioral, transaction and demographic data. We face risks inherent in handling and protecting large volumes of data, especially consumer data. We cannot guarantee that the information security measures we currently maintain are adequate or that our IT systems can withstand intrusions from or prevent improper usage by third parties. We utilize our IT systems to collect and archive information of members of our membership program and we receive and maintain certain personal information about our consumers when accepting credit cards or prepaid cards for payment or accepting orders through online channels. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may subject to negative publicity and lose consumers as a result of a loss of their confidence in us, and may also become subject to litigations or other proceedings brought by relevant consumers and financial institutions. Any such proceedings could divert management attention and our other resources from our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations. In addition, PRC government has been implementing more stringent regulations and policies relating to data collection, storage, transfer, disclosure and privacy protection, which may subject us to additional potential risks and further increase our compliance costs by enhancing our IT systems or improving our information security measures.

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.

If our relationships with various third-party online platforms are interrupted or discontinued, our business and results of operations may materially and adversely be affected.

As a part of our OMO strategy, we cooperate with various third-party online platforms, including leading social commerce platforms, e-commerce marketplaces and food delivery platforms. In addition to contributing revenue directly, more importantly, these online channels enable us to reach, acquire and interact with consumers, and engage innovative online marketing and branding campaigns. For example, currently, under our supervision, our retail store managers operated an aggregate over 49,800 store-based WeChat groups to engage real-time communication and transact with over 8.5 million WeChat community followers. These accounts release appealing and engaging contents to promote our products and member activities from time to time. We also collaborate with influencers and key opinion leaders (KOLs) on social commerce platforms, such as Douyin, and adopt new forms of marketing approaches, such as live streaming and short-form videos featuring our brands and products, to reach a broader potential consumer base, engage interactions with targeted consumers, and enhance brand recognition. If we fail to establish our presence on more online channels, or if we are not able to renew our cooperative relationships with the existing online channels in a timely manner, on reasonable commercial terms or at all, our competitiveness of acquiring online consumers at a relatively low cost may be compromised, and our online sales and brand visibility may be adversely affected. If our cooperation with the online channels are discontinued, our fresh grocery strategy may fail, which in turn, may materially and adversely affect our long-term development plans.

We may incur significant 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 products. We rely on different marketing efforts tailored for our target consumer groups to increase brand awareness and boost our sales. We market our brands and products across a wide variety of media, ranging from traditional to new media channels, such as content marketing on WeChat, video marketing through short-form videos and live streaming. We also participate in trade fairs and exhibitions to demonstrate our brands and products on one hand, and to explore relationship with potential suppliers, business partners and consumers on the other. Moreover, as we continue to build up our online platforms, we expect our marketing expenses relating to cooperation with online channels to continue to increase. For the years ended December 31, 2019, 2020 and 2021, our selling expenses amounted to RMB344.9 million, RMB394.6 million and RMB451.7 million, respectively, representing approximately 3.8%, 4.5% and 4.4%, respectively, of total revenue over the same periods. For the six months ended June 30, 2021 and 2022, our selling expenses amounted to RMB220.6 million and RMB246.2 million, respectively, representing approximately 4.0% and 4.2% of total revenue over the same periods, respectively. However, we cannot guarantee that our marketing efforts will be well-received by consumers and result in higher levels of sales. In addition, marketing trends and approaches in the consumer products 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.

We may be subject to penalties from the PBOC or adverse judicial rulings as a result of our financial support.

During the Track Record Period, we from time to time provide financial support to our franchisees, some of which being corporate entities, to ease their temporary capital needs.

In particular, we provided financial support to certain franchisees subject to our franchise arrangements during the Track Record Period. Prior to 2019, we provided interest-free loans to franchisees to support their initial store opening and ongoing store operation. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance of the interest-free loans accounted under other receivables amounted to RMB14.0 million, nil, nil and nil, respectively, extended to 64, nil, nil and nil franchisees for their 236, nil, nil and nil franchised stores, respectively, as of the same dates. Since 2019, we renewed our financial support arrangements under the franchise arrangements and commenced to extend interest-bearing loans to franchisee applicants in connection with new franchised stores. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance of the interest-bearing loans accounted under other receivables amounted to RMB50.2 million, RMB131.6 million, RMB179.0 million and RMB190.8 million, respectively, extended to 196, 200, 309 and 421 franchisees for their 512, 621, 815 and 971 franchised stores, respectively, as of the same dates. In addition, we also provided factoring financing to our regional dealers. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the aggregate outstanding factoring amounts under these arrangements were RMB148.0 million, RMB179.8 million, RMB221.5 million and RMB169.5 million, respectively, involving 10, 12, 13 and 13 regional dealers, respectively. Such outstanding factoring amounts were accounted for as other receivables in the relevant period. Please refer to "Business — Fruit Specialty Retail Operator with OMO and Store-as-Warehouse Features — Offline Retail Store Network — Franchised Stores — Financial support provided to franchisees" and to "Business — Fruit Specialty Retail Operator with OMO and Store-as-Warehouse Features — Offline Retail Store Network — Regional Dealers — Financial support provided to regional dealers" for more details about such arrangements.

According to the General Lending Provisions (《貸款通則》) (the "**General Provisions**"), promulgated by the PBOC, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. Based on the aggregate interests we received from the interest-bearing loans extended to franchisees, certain associates and selected third parties that are private companies during the Track Record Period, the amount of maximum fine will be approximately RMB7.4 million pursuant to the General Lending Provisions. However, 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 (《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》) (the "**Private Lending Provisions**"), which became effective on September 1, 2015 and was revised on August 20, 2020, loan agreements among legal persons or among non-legal persons or among legal persons and non-legal persons are valid if extended for the purpose of financing production or business operations except for the circumstances stipulated in Article 146, Article 153, Article 154 of the Civil Code and Article 13 of the Provision, the People's Court shall support the claim of the parties that the civil loan contract is valid. The lender requests the borrower to pay interest at the contracted rate. The People's Court shall support the request of the lender that the borrower pays interest at the contracted rate, except when the interest rate agreed between the parties exceeds four times the quoted market rate for a one-year loan at the time of the contract formation.

Considering that (i) lending is not our primary business and the financial supports we provide to third parties are for the purpose of sustainable development of these business partners in our value chain, rather than for the purpose of collecting interests, (ii) the interest rates did not exceed the rate provided by the Judicial Interpretations on Private Lending Cases, and (iii) the financial support arrangements were available to our franchisees, certain associates and selected third parties who were fruit retail industry participants, mainly fruit suppliers, which we considered strategically cooperating with, instead of providing to any third party, our financial support arrangements with such third parties do not constitute the circumstances as provided by Article 146, Article 153, Article 154 of the Civil Code and Article 13 of the Provision. In addition, based on the interview conducted with the Shenzhen Branch of the PBOC, it only regulates the loans extended by financial institutions and it does not regulate nor impose punishment on any loans among enterprises or among enterprises and individuals. Instead, the validity of such loans among enterprises or among enterprises and individuals shall be determined by the PRC courts. Therefore, our PRC Legal Adviser is of the opinion that based on the Private Lending Provisions and the interview with the relevant government authority, the arrangements with respect to our loans provided to franchisees and certain other third parties are legally binding.

As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority with respect to any administrative penalties, investigations or enforcement actions as a result of our provision of the loans described above. Our PRC Legal Adviser is of the view that the risk of us being penalized based on the General Lending Provisions is remote, and our financial support does not constitute material non-compliance of any applicable laws and regulations in material aspects on the basis that (i) according to our intermediary's interviews with the Shenzhen Central Branch of the People's Bank of China, it does not penalize inter-enterprise lending or enterprise lending to individuals; and (ii) according to the Private Lending Provisions, such contracts are valid and are legally binding. However, the final determination of the relevant regulatory authorities could be different, and we may be subject to penalties from the PBOC or adverse judicial rulings as a result of our provision of loan financings to related parties or any third parties during the Track Record Period. Any of these penalties or adverse judicial rulings could have a material adverse effect on our business, financial position and results of operations.

Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material adverse effect on our business and prospects. Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including privacy concerns relating to unauthorized use of user information by us or third parties, could damage our reputation, adversely affect the consumers' confidence in us, or subject us to governmental regulation and other legal obligations.

Our business generates and processes a large quantity of personal data as well as consumer profiles. We face risks inherent to handling and protecting a large volume of data, especially consumers' personal data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;

- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses or new technologies; and

- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

We have adopted internal guidelines for the protection of personal data of our members, and to ensure our Group's compliance with relevant PRC laws and regulations with respect to privacy and personal data protection. Nevertheless, the efforts that we take to protect our members' personal information may not always be sufficient or effective. Any improper handling of our consumers' personal information as a result of any misconduct by our employees or any information leakage due to external factors, such as unauthorized access to our consumers' database by hackers, could result in civil or regulatory liabilities which may subject us to significant legal, financial and operational consequences. During the Track Record Period, we have been warned and ordered to make corrections after being identified as having system security vulnerabilities and information leakage hazards during several exercises and evaluations conducted by the public information network security inspection department of the local public security bureau. We were warned and ordered to make corrections, including a fine of RMB10,000 on one occasion. As of the Latest Practicable Date, we had rectified our system failures and fully paid the fines. We believe these administrative penalties do not have any material and adverse impact on our business and financial performance.

We are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. For example, recent legal developments in mainland China have created compliance uncertainty regarding certain transfers of personal information and other data. On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which came into effect on September 1, 2021. The Data Security Law imposes certain data security and privacy obligations on entities and individuals carrying out data activities, like us, and prohibit any PRC individual and entity from providing data stored within the PRC for foreign judicial or law enforcement authorities without approval by competent authorities in the PRC. Further, the Personal Information Protection Law (《個人信息保護法》) was passed by SCNPC on August 20, 2021 and came into effect on November 1, 2021. The law applies to all activities conducted in our establishments within the PRC or related to services that we offer to natural persons within the territory of the PRC. It creates a range of new compliance obligations, which could cause us to change our business practices, and may impose substantial penalties for non-compliance.

Further, on January 4, 2022, the CAC published the Revised CAC Measures on its website, which became effective on February 15, 2022. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. However, the Revised CAC Measures provides no further explanation or interpretation for "list abroad." As of the Latest Practicable Date, we had not received any notification from relevant government authorities that we will or may be recognized as a critical information infrastructure operator.

On November 14, 2021, the CAC published the Draft Cyber Data Security Regulations, which applies to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our Special PRC Legal Adviser advises that the Draft Cyber Data Security Regulations are applicable to the data processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. It stipulates that a data processor who processes more than one million persons' personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to "affect or may affect national security."

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. If the Draft Cyber Data Security Regulations was to be implemented in their current form, based on the foregoing and a detailed analysis of their provisions by our Special PRC Legal Adviser, we and our Special PRC Legal Adviser do not foresee any impediment for us to comply with the Revised CAC Measures and the Draft Cyber Data Security Regulations in any material aspect, given that as disclosed in "Business — Data Privacy and Data Protection" of this document, we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Cyber Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, if any, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

The interpretation and application of laws, regulations and standards on data protection and privacy are still uncertain and evolving. We cannot assure you that our data privacy and protection measures are, and will be, always considered sufficient under applicable laws and regulations. Nor can we assure you that the governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with laws and regulations on data privacy, and we cannot assure you that our practices will always fully comply with all applicable rules and regulatory requirements. In addition, laws, regulations and standards on data protection and privacy continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. Additionally, the integrity of our data privacy and protection measures is also subject to risks of systemic failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, impact our ability to manage digital operations and could subject us to significant legal, financial and operational consequences.

We may not be able to adequately protect our intellectual property, 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 our senior management team, research and development team members, and franchisees 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 — B. Further Information about our Business — 2. Intellectual Property Rights of the Group." In particular, we have accumulated a variety of trade secrets and know-hows in connection with fruit quality classification and standardization, cultivation and post-harvest techniques, as well as quality control procedures and protocols. Such trade secrets and know-hows are one of our key competitive advantages that is extremely valuable for us to attain our current leading 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 intentionally do not 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 adequately 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 for 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 Pagoda trademarks under several classes in China that most related to our core business operations. We have also registered a number of other trademarks covering our existing and potential product and channel 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. For example, historically, we were sued by a third party who claimed that our use of Pagoda has infringed on its trademark that is registered under a different class. The case was fully dismissed by the relevant people's court and we had obtained the court decision in our favor. However, 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 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 damage 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 litigations, arbitrations or other legal proceedings to protect our intellectual property rights. Regardless of the judgment, these proceedings would be lengthy and costly, would divert the 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.

Our success depends on the continuing efforts of our senior management team and industry experts 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 member of our senior management is unable or unwilling to continue in present position, 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. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose trade secrets and business know-how as a result. Moreover, our ability to constantly cultivate, source and sell high-quality fruits is partially attributable to a number of industry experts and skilled employees who are familiar with and adept at our quality standards and processing technologies.

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.

We may be required to make additional social security and housing fund contributions, as well as pay late contributions and fines imposed by the relevant government authorities.

In accordance with the Social Insurance Law of the People's Republic of China and the Housing Provident Fund Management Ordinance, we are required to make social insurance and housing provident fund contributions to our employees. Our PRC subsidiaries did not make full social insurance premiums and housing fund contributions (collectively, the "**Defined Contribution Plans**"). As of December 31, 2019, 2020, and 2021 and June 30, 2022, our total salary compensation (i.e. total employee benefits less benefits and allowances and defined contribution plans) was RMB463.8 million, RMB483.2 million, RMB593.9 million and RMB303.1 million, respectively. During the same periods, the percentages of total salary compensation for the Defined Contribution Plan that we incurred were approximately 11.1%, 8.5%, 9.1% and 11.3%, respectively. In this regard, we made provisions of approximately RMB24.5 million, RMB13.8 million, RMB12.8 million and RMB5.9 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. We are not aware of any complaints or requests from employees in regard to the payment of such contributions. Our PRC Legal Adviser is of the view that we may be required to pay the unpaid social insurance premiums and an overdue payment for the unpaid amount at the rate of 0.05% per day. If we fail to pay the outstanding social insurance contributions within the specified period, we may be subject to a fine of one to three times the amount of the outstanding social insurance contributions. If we do not pay or underpay the housing provident fund, the housing provident fund management centers shall order us to pay within a certain period. If we still do not pay, the centers can apply for a compulsory enforcement from the People's Court.

In addition, during the Track Record Period, certain PRC subsidiaries of us engaged a third-party human resource agency to pay social insurance premium and housing provident funds for certain of our employees. For details, see "Business — Non-compliance." As of the Latest Practicable Date, our relevant PRC subsidiaries had not received any administrative penalty or labor arbitration application from employees for its arrangement with the third-party human resource agency. We have taken remedial measures to rectify such non-compliance incidents. However, we cannot assure you that the relevant competent government authority will not be of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, nor can we assure you that the authority will not impose fees, pecuniary penalties or other administrative actions on us for our such non-compliance. Pursuant to the agreements entered into between the third-party human resource agency and our relevant subsidiaries, the third-party human resource agency has the obligation to pay social insurance premium and housing provident funds for our relevant employees. As of the Latest Practicable Date, based on the confirmations obtained from the agency, the third-party human resource agency that our relevant subsidiaries cooperate with did not fail to pay, or delay in paying, any social insurance premium or housing provident fund contributions for our employees. However, if the human resource agency fails to pay the social insurance premium or housing provident fund contributions for and on behalf of our employees as it agreed or if such arrangements are challenged by government authorities, we may be ordered to rectify such failures or be subject to penalties. We confirm with the third-party human resource agency about the payment status on a monthly basis. Therefore, we believe the outstanding payment, if any, would be identified and rectified within the month. Based on the amount of the social insurance premium for employees we instructed the third-party human resource agency to pay in the latest month (i.e. October 2022), if the third-party human resource agency fails to pay the social insurance premium for employees in that month and we fail to make the payment within the prescribed time limit, the maximum fine imposed on us would be RMB10 million. As a result of any of the above, our financial condition and results of operations may be adversely affected.

Please refer to "Business — Non-Compliance" for further details.

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

We maintained limited statutory insurance, which we believe is customary for businesses of our size and type and in line with the standard commercial practice in our industry. See "Business — Insurance" for more details on our insurance policies. If we were held liable for uninsured losses, our business and results of operations might be materially and adversely affected.

In addition, we are not insured against product liability or business interruptions resulting from natural disasters such as droughts, floods, earthquakes or severe weather conditions, any suspension or cessation in the supply of utilities or other calamities. Any liability claim for damages relating to our products, interruption to our operations, and the resulting losses or damages, could materially and adversely affect our business, results of operations and financial condition.

Our success depends on our ability to remain competitive in the industry.

The industry we operate in is intensely competitive with respect to, among other things, brand recognition, consistent fruit quality, services, prices and store locations. Our competitors include a variety of independent local operators, in addition to regional, national and international fruit distributors at different levels. We are also facing increasing pressure from online vegetarian fresh food platforms. 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 that imposes direct competition against us. There are also many well-established competitors with substantially greater financial, marketing, personnel and other resources than ours, and several of our competitors are well established in certain regional markets where we currently have stores or intend to open stores.

Our ability to effectively compete will depend on various factors, including the successful implementation of our retail store network expansion strategy, and 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.

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

We currently engage third-party logistics companies to fulfill our busy daily delivery needs from our distribution centers to retail stores across the country. 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. 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 the retail stores are located, or planned to be located, it may inhibit our ability to offer products in sufficient quantities, on a timely basis.

In addition, as we do not have 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 affected. Due to the nature of our products, we require our logistic 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 of these logistic service providers. As such, if there is any material non-compliance of our technical protocols which causes damage to our products, our business, financial condition and results of operations may be materially and adversely affected.

We recognized a certain scale of goodwill and intangible assets during the Track Record Period. If we determine our goodwill and/or intangible assets to be impaired, it would adversely affect our financial condition and results of operations.

Our goodwill amounted to approximately RMB170.0 million, RMB170.5 million, RMB170.5 million and RMB170.5 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. The goodwill primarily arose from our acquisitions of 100% equity interests in Shenzhen Yimiaotong and Haiyang Jinchengtai in 2018 and 2019, respectively. Such goodwill recorded reflected the excess of the total acquisition consideration in the acquired companies over the total fair value of identifiable net assets of the companies we acquired. We also recorded intangible assets of RMB76.6 million, RMB81.5 million, RMB77.3 million and RMB70.9 million as of December 31, 2019, 2020 and 2021, and June 30, 2022, respectively, which mainly represented trademark, software and customer relationship. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment. Intangible assets that have a useful life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We did not recognize impairment losses in respect of goodwill or intangible assets during the Track Record Period. For details on the impairment assessment methods for our intangible assets and goodwill, see Notes 2.9 and 2.10 to Appendix I to this document.

In evaluating the potential for impairment of goodwill, our management makes a number of assumptions, such as the continuity of the acquired businesses, their future operating performance, business trends, and market and economic conditions. This requires us to make subjective assumptions, and there are inherent uncertainties relating to this analysis and our management's judgment in assessing the recoverability of the goodwill. If any of the assumptions does not materialize, or if the performance of the acquired business is not consistent with such assumptions, we may be required to write-off part or all of our goodwill and record an impairment loss. On the other hand, adverse changes in the future may result in decreases in the value of our intangible assets, which in turn would result in an impairment loss. We also make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful life. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-value our intangible assets, which may in turn result in impairment losses. Any significant impairment of goodwill or intangible assets could substantially affect our reported earnings in the periods when recognized. In addition, impairment charges would negatively affect our financial ratios which may limit our ability to obtain external financings.

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

From time to time we review opportunities for strategic growth through acquisitions and majority equity investments. We have also pursued and may in the future pursue strategic growth through investments in associates. We may seek opportunities in additional businesses, product categories or channel brands that complement our existing businesses and expand our business scale. The integration of new businesses, product categories or channel brands may prove to be an expensive and time-consuming procedure. We can offer no assurance that we will be able to successfully integrate the newly acquired businesses, product categories or channel brands or operate the acquired businesses in a profitable manner.

Moreover, the performance of these associates and joint ventures has affected, and will continue to affect, our financial performance. For example, 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 associates and joint ventures. During the Track Record Period, in 2019 and 2020, we recorded share of losses of associates and joint ventures, net in the amount of RMB7.5 million and RMB9.8 million, respectively. We recorded share of profit of associates and joints ventures, net in the amount of RMB16.5 million and RMB9.4 million, for the year ended December 31, 2021 and six months ended June 30, 2022, respectively. In addition, during the year ended December 31, 2020, we also recorded loss on impairment of an associate of RMB26.4 million related to our investments in Younongdao. If the associates and joint ventures do not perform as expected or do not generate sufficient profit in any financial period, our return on interests in the associates and joint ventures, and our financial condition or results of operations, could be materially and adversely affected. We are also subject to the risk that the associates and joint ventures may make business, financial or management decisions with which we do not agree, and over which we do not have control, or the management, of the associates and joint ventures may take risks or otherwise act in a manner that does not serve our interests. In particular, the carrying value of our investment in associates and joint ventures may be affected by a number of factors such as share of results, impairment, dilution, issuance of equity securities, and currency translation differences. Any of those above may adversely affect our business and results of operations.

On the other hand, our investments in a large number of associates and joint ventures may subject us to liquidity risks as we may be required to fulfil capital injections as agreed subject to the capital needs and financial performance of these associates and joint ventures. Even if profits of these associates and joint ventures are recognized, we may not immediately receive any final remittance of surplus funds, which are typically in the form of dividend distribution. Dividend distribution of these entities is generally subject to various requirements of applicable laws and regulations and the relevant entity's articles of association. As such, our consolidated financial performance is expected to continue to be subject to fluctuations in future periods in conjunction with our investments in associates and joint ventures and their performance.

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 source 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;
- 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 investments has been impaired, the requirement to record a non-cash impairment charge, which could substantially affect our reported earnings in the period of the charge, would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

Our results of operations, financial condition and prospects may fluctuate subject to the changes in fair value of our financial assets at fair value through other comprehensive income ("financial assets at FVOCI") and our financial assets at fair value through profit or loss ("financial assets at FVTPL") (other than structured deposits) due to the uncertainty of accounting estimates in the fair value measurement and use of significant unobservable inputs in the valuation techniques.

During the Track Record Period, apart from structured deposits, we also made equity and other forms of investments in high-quality and promising companies from time to time. For these investments, we recognized fair value gains on financial assets at FVTPL of RMB1.7 million in 2019 and fair value loss of RMB12.5 million and RMB10.1 million in 2020 and 2021, respectively. Fair value loss on financial assets at FVTPL with respect to equity investments amounted to RMB1.0 million for the six months ended June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, such financial assets at FVTPL amounted to RMB79.7 million, RMB75.2 million, RMB82.3 million and RMB81.3 million, respectively. During the same period, we recognized fair value gains on financial assets at FVOCI of RMB38.4 million, RMB9.6 million in 2019 and 2020, respectively, and we recognized fair value loss on financial assets at FVOCI of RMB49.4 million in 2021. We recorded fair value loss on financial assets at FVOCI of RMB0.8 million for the six months ended June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our financial assets at FVOCI amounted to RMB76.3 million, RMB65.4 million, RMB10.9 million and RMB20.4 million.

Our financial assets at FVTPL and financial assets at FVOCI are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded in our consolidated income statements and consolidated statements of comprehensive income, therefore directly affecting our results of operations. There is no assurance that we will not incur such similar fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We are exposed to risks in relation to investment in structured deposits.

During the Track Record Period, as part of our cash management, we invested in various structured deposits from time to time. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the financial products we invested in were structured deposits measured at fair value through profit or loss. The balance of which amounted to RMB765.8 million, RMB414.7 million, RMB1,040.0 million and RMB230.0 million, respectively. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our fair value gains from such wealth management products amounted to RMB44.7 million, RMB23.0 million, RMB19.4 million and RMB13.1 million, respectively. In the future, when we consider that we have sufficient cash and potentially considerable investment returns, we will continue to invest in such and other structured deposits. We have established certain internal control procedures to mitigate the risks associated with such investments, but there is no assurance that such procedures will be effective and adequate. We could not assure you that we will not be exposed to losses on such investments in the future, nor could we assure you that such losses or other potential negative impacts would not have any material and adverse effect on our business and financial conditions.

Financial performance of our Group during the Track Record Period was affected by certain non-recurring items.

The financial results of our Group during the Track Record Period were affected by certain non-recurring items. For example, we recorded compensation income from warehouse relocation in the amount of RMB19.7 million in 2019, representing a one-time compensation payment from the landlord of our previous preliminary processing and distribution center located in Shanghai, which was vacated by the local government for municipal renovation. We did not record such income in the periods following 2019. In addition, we received government grants in the amount of RMB17.3 million, RMB14.8 million, RMB7.2 million and RMB16.3 million in the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022. We are typically required to meet certain requirements or standards to be qualified to receive such government grants and the timing and amount of each grant, if any, are out of our control. Since these events are non-recurring in nature, we cannot assure you that we may record such other income in future periods and our financial performance may be adversely affected.

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 **[REDACTED]** ***in us may be negatively impacted.***

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs 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 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 involved in legal and other disputes from time to time arising out of our operations, including any disputes with our suppliers, customers, employees, landlords, business partners or other third parties, and may face significant liabilities as a result.

We have during the Track Record Period been and may from time to time be involved in disputes with various parties arising out of our operations, including fruit and equipment suppliers, customers, employees, landlords, business partners, or other third parties. These disputes may lead to arbitrations, legal or other proceedings and may result in damages to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities or otherwise cause interruption to our operations. We believe that none of the current legal proceedings or claims will have a material adverse impact on us. For more details, refer to "Business — Legal Proceedings." However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement in these disputes may materially and adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in the PRC

Changes in PRC 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.

All of our business assets are located in the PRC and almost all of our sales are currently derived from the PRC. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. 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, Cybersecurity and data security. 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. In addition, from time to time, the central and local governments in the PRC may introduce various new laws, regulations and policies or further amend existing laws, regulations and policies. If such laws, regulations and policies relate to industries such as food sales and factoring business, our relevant business operations may be affected and we may need to adjust our business in accordance with the new or amended laws, regulations and policies.

The economy of the PRC 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 the PRC 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 the PRC'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 the PRC legal system could have a material and adverse effect on us.

Our business and operations are conducted in the PRC and are governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretations by the Supreme People's Court. Prior court decisions may only be cited for reference. In addition, written statutes of the PRC are usually principle-oriented, and are subject to detailed interpretation of law enforcement authorities. 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 in other jurisdictions. As these laws and regulations continue to develop in response to the ever-changing economic and other conditions, and due to the limited number of cases published and their non-binding nature, any particular interpretation of PRC laws and regulations may be unclear. Furthermore, we could not predict the future development of the PRC 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 laws of common law jurisdictions such as Hong Kong and the US 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 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 jurisdictions.

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

The industry 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 Chinese government has been stepping up its supervision on food safety. 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 retailers, including us. Failure to comply with the laws and regulations of food safety in China may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of food production and operation as ordered, revocation of food production and operation permits, 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 regulations 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 impacts on our business, financial condition and development prospects.

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 all of our business, assets and operations are located in China. In addition, the 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. As a result, it may not be possible for you to effect service of process within the United States or elsewhere outside China upon us or such Directors, Supervisors or executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. While China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned which came into effect on August 1, 2008, pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court, there are still uncertainties as to whether the judgments in Hong Kong will be recognized under the arrangement. Moreover, China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on [**REDACTED**], 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.

Our Articles of Association provide that, apart from disputes over the register of Shareholders which could be resolved other than by way of arbitration as defined by relevant Shareholders, disputes among holders of H Shares and ourselves, our Directors, Supervisors or senior management personnel or other Shareholders arising out of our Articles of Association or any rights or obligations conferred or imposed thereupon by the PRC Company Law and related laws and administrative regulations concerning our affairs are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission ("CIETAC") or the Hong Kong International Arbitration Center. 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.

You may be subject to PRC taxation.

Under applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H Shares and gains realized by non-PRC resident individual holders of H Shares upon sale or other disposition of H Shares are both subject to PRC individual income tax. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 dated June 28, 2011 issued by the State Administration of Taxation,the rate for tax on dividends is between 5% and 20% depending on the applicable tax treaties or arrangements between the PRC and the specific jurisdiction in which the non-PRC resident individual holder of H Shares resides of 20% if there is no such treaty or arrangement. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares issued by the PRC Ministry of Finance and the State Administration of Taxation on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. We understand that in practice to date the PRC tax authorities have not sought to collect from non-PRC resident individuals either the tax on gains realized upon sale or other dispositions of H Shares, or any excess of the tax on dividends paid by a PRC company over the amount that was withheld at source.

In accordance with the Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises issued by the State Administration of Taxation of the PRC and effective from November 6, 2008, dividends paid to, and gains realized by, non-PRC resident enterprise holders of H Shares are both subject to PRC enterprise income tax at a rate of 10%. Absent any further guidance from the PRC tax authorities, we intend to withhold 10% from any dividend payment made through CCASS without seeking prior consent from the PRC tax authorities. There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relatively short history of certain of such laws. These uncertainties include, whether non-PRC resident individual holders of H Shares will be subject to PRC individual income tax at a flat rate of 20% even where payments are made through an organization such as CCASS (and if so, whether and how the excess of PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H Shares over any amount withheld by us will be collected by the PRC tax authorities in the future), and whether and how income tax on gains realized by non-PRC resident persons upon the sale or other dispositions of H Shares will be collected by the PRC tax authorities in the future. If there is any change to the applicable PRC tax laws and interpretations or applications in respect of such laws, holders of H Shares may be required to pay PRC income tax (in the case of individuals, at a rate of up to 20%) on the dividends paid by us and gains realized upon sale or other dispositions of H Shares which have not historically been collected by the PRC tax authorities in practice.

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* [REDACTED] *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 a portion of the Domestic Shares will be converted into H Shares upon [**REDACTED**], which will be [**REDACTED**] and [**REDACTED**]. 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 [**REDACTED**] or [**REDACTED**], provided that prior to the conversion and [**REDACTED**] 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 [**REDACTED**] one year after this [**REDACTED**], which at that time could further increase the number of our H Shares available in the market and may negatively impact the [**REDACTED**] of our H Shares.

Risks Relating to the [REDACTED]

There has been no prior* [REDACTED] *for our H Shares, and an active* [REDACTED] *market may not develop.

Before the [**REDACTED**], there was no public market for our Shares. The [**REDACTED**] of our H Shares, and the [**REDACTED**], will be the result of negotiations between the [**REDACTED**] (on behalf of the [**REDACTED**]) and us.

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

***The* [REDACTED] *volume of our H Shares may be volatile which could result in substantial losses for investors purchasing our H Shares in* [REDACTED].**

The [**REDACTED**] volume of our H Shares may be volatile. The [**REDACTED**] 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 the stock market price and volume;
- regulatory or legal developments, including involvement in litigations;
- fluctuations in [**REDACTED**] 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 price increases 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 [**REDACTED**] of our Shares.

Future sale or major divestment of H Shares by our [**REDACTED**] ***Investors could materially and adversely affect the prevailing*** [**REDACTED**] ***of our Shares.***

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

Purchasers of our H Shares in the [**REDACTED**] ***will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.***

The initial [**REDACTED**] of our H Shares is higher than the net tangible asset value per H Share of the outstanding H Shares issued to our existing Shareholders immediately prior to the [**REDACTED**]. Therefore, purchasers of our Shares in the [**REDACTED**] 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.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on [**REDACTED**] until they are delivered, which is expected to be about four Hong Kong business days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise [**REDACTED**] our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the [**REDACTED**] or value of our H Shares could fall when [**REDACTED**] commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [**REDACTED**] 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 [**REDACTED**] 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* [REDACTED] *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, see "Relationship with Our Controlling Shareholders — Non-competition Undertaking" for more details. Consequently, our Controlling Shareholders' interests may not necessarily be 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 [**REDACTED**] at which our Shares are [**REDACTED**] on [**REDACTED**].

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

This document, particularly the section headed "Industry Overview" in this document, contains information and statistics, including but not limited to information and statistics relating to the PRC and the fresh groceries and fruit industries and markets. Such information and statistics have been derived from various official government and other publications and from a third party report prepared by Frost & Sullivan commissioned by us. The information from official government sources has not been independently verified by us, the Sole Sponsor, any of its directors, officers, affiliates, advisors or representatives, or any other party involved in the [**REDACTED**]. We cannot assure you 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.

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

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

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we 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. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange at its discretion.

Since our Company's business operations are primarily located in the PRC and will continue to be based in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As substantially all of our executive Directors and the senior management team of our Company currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has agreed to grant,] a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules and will continue to maintain two authorized representatives to be our principal channel of communication at all times with the Stock Exchange. The two authorized representatives are Mr. Jiao Yue (焦岳), our executive Director and executive deputy general manager, and Ms. Fu Xiaoyan (付小豔) ("**Ms. Fu**"), our deputy general manager, secretary of the Board and one of the joint company secretaries. Both of the authorized representatives are and will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and, (i) are, and will be, readily contactable by telephone, facsimile and/or email (where applicable) to deal promptly with any enquiry which may be made by the Stock Exchange; and (ii) are, and will be, act at all times as the principal channel of communication between the Stock Exchange and us;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We have implemented a policy whereby:

(i) each Director will provide his/her mobile phone number, office phone number, email address and facsimile number (where applicable) to the authorized representatives;

(ii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and

(iii) each Director will provide his mobile phone number, office phone number, email address and facsimile number (where applicable) to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Somerley Capital Limited as our compliance adviser who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the [**REDACTED**] and ending on the date that our Company publishes financial results for the first full financial year after the [**REDACTED**] pursuant to Rule 13.46 of the Listing Rules;

(d) any meeting between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;

(e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives;

(f) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and

(g) we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our [**REDACTED**].

WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARY

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, our company secretary must be 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:

(a) a member of the Hong Kong Institute of Chartered Secretaries;

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

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

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

(a) length of employment with the issuer and other issuers and the roles they played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

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

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Fu as one of the joint company secretaries. Ms. Fu is familiar with our business operations, corporate culture and matters concerning our corporate governance. However, Ms. Fu does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Ms. Tam Pak Yu, Vivien (譚栢如) ("**Ms. Tam**") who is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom and meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Ms. Fu for an initial period of three years from the [**REDACTED**] so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Listing Rules.

Ms. Tam will work closely with Ms. Fu to jointly discharge the duties and responsibilities as company secretary and assist Ms. Fu to acquire relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Ms. Fu will attend relevant trainings to enhance and improve her knowledge of and familiarity with the Listing Rules and other relevant laws, rules and regulations.

We have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules and the Stock Exchange's Guidance Letter HKEx-GL108-12, for an initial period of three years from the [**REDACTED**], on the conditions that (i) Ms. Tam who possesses the qualifications requirements as required under Rule 3.28 of the Listing Rules is engaged as a joint company secretary and assists Ms. Fu during this period; and (ii) the waiver will be revoked immediately if and when Ms. Tam ceases to provide such assistance to Ms. Fu or if there are any material breaches of the Listing Rules by our Company during the period. Before expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Fu to determine whether the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules can be satisfied. We and Ms. Fu would then endeavor to demonstrate to the Stock Exchange's satisfaction that Ms. Fu, having had the benefit of Ms. Tam's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue after the [**REDACTED**], certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] waivers in relation to these non-exempt continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules from strict compliance with the annual reporting, announcement, circular and independent shareholders' approval requirements (where applicable). For further details, please see the section headed "Continuing Connected Transactions" in this document.

WAIVER IN RELATION TO THE POST-TRACK RECORD PERIOD ACQUISITIONS

Pursuant to Rules 4.04(2) and 4.04(4) of the Listing Rules, the issuer shall include in its accountant's report the results and balance sheet of any business and/or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of the issuer have been made up in respect of each of the three financial years immediately preceding the issue of the [**REDACTED**] document (the "**Relevant Requirements**").

Since the end of the Track Record Period, for the purpose of expanding our business and strengthen our ability to cultivate high-quality fresh grocery products and to incubate product brands, our Group has entered into or propose to enter into agreements to acquire equity interests of certain companies (together, the "**Post-Track Record Period Acquisitions**").

Shenzhen Weikai Acquisition

On July 11, 2022, Pagoda Investment, a wholly owned subsidiary of our Company, entered into a share capital subscription agreement with Mr. Shen Pengfei (諶鵬飛) and Shenzhen Penglai Digital Consulting Partnership (Limited Partnership)* (深圳市鵬來數科諮詢合夥企業(有限合夥)) ("**Penglai Digital**"), a limited partnership established in the PRC controlled by Mr. Shen Pengfei as its executive partner, pursuant to which, among others, Pagoda Investment agreed to inject RMB2.45 million into the registered capital of Shenzhen Weikai Life Service Co., Ltd.* (深圳市微開生活服務有限公司) ("**Shenzhen Weikai**"), and as a result of which, Pagoda Investment acquired 49% of equity interest in Shenzhen Weikai. Such consideration was determined based on arm's length negotiations between the parties with reference to the then registered capital of Shenzhen Weikai, and has been fully settled by Pagoda Investment in cash utilizing its own internal resources.

As of the Latest Practicable Date, our Company was interested in 49% of equity interest in Shenzhen Weikai, and Shenzhen Weikai will be accounted for as an associate of our Company.

Guangxi Zhencheng Acquisition

On July 1, 2022, Pagoda Investment, a wholly owned subsidiary of our Company, entered into a share transfer agreement with Shenzhen Lingxian Jiapin Food Co., Ltd.* (深圳領鮮佳品食品有限公司) ("**Lingxian Jiapin**"), a limited liability company established in the PRC, pursuant to which, among others, Pagoda Investment acquired 14% of equity interest in Guangxi Zhencheng Agriculture Co., Ltd.* (廣西真誠農業有限公司) ("**Guangxi Zhencheng**") from Lingxian Jiapin, at a consideration of RMB5.0 million. Such consideration was determined based on arm's length negotiations between the parties with reference to the historical business performance and growth potential of Guangxi Zhencheng, and has been fully settled by Pagoda Investment in cash utilizing its own internal resources.

As of the Latest Practicable Date, together with a total of 13.76% of equity interest in Guangxi Zhencheng acquired by our Group prior to the Track Record Period, our Group was interested in 27.76% of equity interest in Guangxi Zhencheng, and Guangxi Zhencheng will continue to be accounted for as an associate of our Company.

Shanghai Niuguo Acquisition

According to a board resolution of Shanghai Niuguo Agricultural Technology Co., Ltd.* (上海牛果農業科技有限公司) ("**Shanghai Niuguo**"), an existing associate of our Company, passed on September 13, 2022, our Company will enter into a supplemental agreement to the joint venture agreement entered into among our Company, Shanghai Jiyou Agricultural Products Co., Ltd.* (上海集友農產品有限公司) ("**Shanghai Jiyou**") and Mission Produce Asia Limited ("**MPA Limited**") with Shanghai Jiyou and MPA Limited, pursuant to which, the registered capital of Shanghai Niuguo will be further increased from RMB29.7 million to RMB35.61 million with the additional registered capital of RMB5.91 million to be subscribed by our Company, Shanghai Jiyou and MPA Limited as to one third, respectively, i.e. RMB1.97 million each. It is expected that the parties will sign the supplemental agreement and the capital increase will be completed before [**REDACTED**]. In addition, it is expected that the capital to be contributed by our Company will be fully settled in cash utilizing our own internal resources before [**REDACTED**].

As a result, our Company will continue to be interested in approximately 33.33% of Shanghai Niuguo, and Shanghai Niuguo will continue to be accounted for as an associate of our Company.

We have applied to the Stock Exchange for[, and the Stock Exchange has granted us], a waiver from strict compliance with the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on the following basis:

(a) Immateriality

The scale of the businesses operated by each of the target companies, as compared to that of our Group is not material. Based on the financial information of the target companies available to our Company (i.e. the audited accounts in accordance with the PRC GAAP standards) each of the assets ratio, revenue ratio and profits ratio of each of the Post-Track Record Period Acquisitions by reference to the most recent financial year of the Track Record Period (i.e. the year ended December 31, 2021), where available, is below 5%.

In addition, notwithstanding that each of the Post-Track Record Period Acquisitions represent suitable strategic acquisition target of our Group, (i) such target companies are and will only be accounted for as associates of our Company and it is expected that none of them will constitute a subsidiary of our Company, and (ii) the Post-Track Record Period Acquisitions will not result in any significant change to our financial position since [June 30, 2022] and all information that is reasonably necessary for the

[**REDACTED**] to make an informed assessment of the activities or our financial position has been included in this document. As such, an exemption from compliance with the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules would not prejudice the interests of the [**REDACTED**].

(b) Impracticable and unduly burdensome

Since Shenzhen Weikai was established in March 2022, no audited historical financial information for the year ended December 31, 2021 is available. In respect of Guangxi Zhencheng and Shanghai Niuguo, we have genuine practical difficulties in obtaining, in a short period of time, all necessary historical financial information to prepare the audited accounts of Guangxi Zhencheng and Shanghai Niuguo to satisfy the Relevant Requirements. In addition, given that longer time is required to prepare the audited financial information of Guangxi Zhencheng and Shanghai Niuguo due to large volume of documents involved in the audit process, our Company has encountered practical difficulties in completing the audit works by [**REDACTED**]. Moreover, even if we did get all necessary financial information, it will require a considerable amount of time and resources for our Company to prepare the accounts and for our reporting accountant to perform the audit of the accounts of Guangxi Zhencheng and Shanghai Niuguo to satisfy the Relevant Requirements. As such, it would be impracticable and unduly burdensome for our Company to prepare the audited financial information of all such target companies as required under Rules 4.04(2) and 4.04(4) of the Listing Rules for inclusion in this document.

(c) Alternative information has been provided in this document

With a view to allowing the [**REDACTED**] to understand the Post-Track Record Period Acquisitions in greater details, our Company has included in this document the following information in relation to each of the Post-Track Record Period Acquisitions, which is comparable to the information that is required to be included in the announcement of a disclosable transaction under Rules 14.58 and 14.60 of the Listing Rules, including (i) general description of the scope of principal business activities of each of the target companies and the seller(s) (where applicable); (ii) financial information of the target companies; (iii) the consideration of the transactions; (iv) the basis on which the consideration was determined; (v) how the consideration was or is to be satisfied and the payment terms; and (vi) reasons for and benefits of the transaction. Please see the section headed "Our History and Development — Post-Track Record Period Acquisitions" in this document for more details.

As the consideration with respect to each of the Post-Track Record Period Acquisitions has been or will be fully settled in cash utilizing internal resources of our Group, we do not expect to apply any [**REDACTED**] from the [**REDACTED**] to finance any of the Post-Track Record Period Acquisitions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Yu Huiyong (余惠勇)	A28, Area 6, Longquan Villa Longgang District, Shenzhen Guangdong Province China	Chinese
Ms. Xu Yanlin (徐豔林)	A28, Area 6, Longquan Villa Longgang District, Shenzhen Guangdong Province China	Chinese
Mr. Tian Xiqiu (田錫秋)	30B, Unit 3, Tower 2, Sky Blue Blue County Plaza Yantian District, Shenzhen Guangdong Province China	Chinese
Mr. Jiao Yue (焦岳)	302, M Unit, Building 7 Fudixuan F Area, Vanke City Longgang District, Shenzhen Guangdong Province China	Chinese
Mr. Zhu Qidong (朱啟東)	Room 4203, Block A, Building 1 Banshan Yuehai Community, Shatoujiao Yantian District, Shenzhen Guangdong Province China	Chinese
Non-executive Directors		
Mr. Pan Pan (潘攀)	3B, Building 7 Xiangyu Central Garden No. 66 Nongyuan Road Futian District, Shenzhen Guangdong Province China	Chinese
Mr. Hu Qihao (胡祺昊)	No. 187 Anwai Street Dongcheng District, Beijing China	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Dr. Jiang Yanbo (蔣岩波)	Room 903, Unit 2, Building 2 South Flood Dragon Bridge Garden Jiangxi University of Finance and Economics No. 168, Shuanggang East Street Economic and Technological Development Zone Nanchang, Jiangxi Province China	Chinese
Mr. Ma Ruiguang (馬瑞光)	Room 40-01, Building 40 Xiyuan Shanyuan, Minzhi Street Longhua District, Shenzhen Guangdong Province China	Chinese
Dr. Wu Zhanchi (吳戰篪)	Room 106, West Ladder, Building 2 Minghu Palace, Jinan University No. 601, Huangpu Avenue West Tianhe District, Guangzhou Guangdong Province China	Chinese
Mr. Cheung Yee Tak Jonathan (張以德)	Flat A, 16/F Grand Deco Tower 26 Tai Hang Road Causeway Bay Hong Kong	Chinese
Ms. Zhu Fang (朱舫)	1808, Block 2 Shuzhi Jiayuan 60 Jiaoda East Road Haidian District Beijing	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. Yang Xiaohu (楊曉虎)	Room 301, No. 92 Xiangnan Community, Nanshan Street Nanshan District, Shenzhen Guangdong Province China	Chinese
Mr. Zou Feng (鄒峰)	Room 1602, Building 8, Yu Lake Road Zhongxin Shanyu Lake Garden Lishui Town, Nanhai District, Foshan Guangdong Province China	Chinese
Mr. Su Yan (蘇彥)	Room 602, Building 8 Jinshang Garden Liu Yue Station, Henggang Street Longgang District, Shenzhen Guangdong Province China	Chinese

Further information about the Directors, Supervisors and other senior management members is set out in the section headed "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN [REDACTED]

Sole Sponsor	**Morgan Stanley Asia Limited** Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

[REDACTED]

Legal Advisers to Our Company	*As to Hong Kong and U.S. laws:* **Simpson Thacher & Bartlett** 35/F, ICBC Tower 3 Garden Road Central Hong Kong *As to PRC laws:* **Tian Yuan Law Firm** 8/F, Tower 3, Kerry Plaza No. 1-1 Zhong Xin Fourth Road Futian District Shenzhen Guangdong Province China *As to PRC data privacy and protection matters*: **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Beijing 100025 China
Legal Advisers to the Sole Sponsor and [REDACTED]	*As to Hong Kong and U.S. laws:* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 12-14/F, Block 2, China World Office 1 Jianguomenwai Avenue Beijing China

Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 China
Biological Assets Valuer	**Vocation (Beijing) International Assets Appraisal Co., Ltd.** Building No.8, Level 3 Foreign Cultural and Creative Garden Haidian District Beijing (100044)

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	6A-2 Yantian Modern Industry Service Center 3018 Shayan Road Yantian District Shenzhen Guangdong Province China
Head Office in the PRC	B1101-1103, B1105-1113, B1115-1122, B1201-1203, B1205-1213, B1215-1217 Tower B, Jiansheng Building No. 1 Pingji Road, Xialilang Community Nanwan Street Longgang District Shenzhen Guangdong Province China
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.pagoda.com.cn** *(The information on the website does not form part of this document)*
Joint Company Secretaries	**Ms. Fu Xiaoyan (付小豔)** Room 4D, Unit B, Building 11 Yinyue Zhisheng Garden III, Jihua Street Longgang District, Shenzhen Guangdong Province China **Ms. Tam Pak Yu, Vivien (譚栢如)** 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Authorized Representatives	**Mr. Jiao Yue (焦岳)** M302, M Unit, Building 7 Fudixuan Area, Vanke City Longgang District, Shenzhen Guangdong Province China
	Ms. Fu Xiaoyan (付小豔) Room 4D, Unit B, Building 11 Yinyue Zhisheng Garden III, Jihua Street Longgang District, Shenzhen Guangdong Province China
Audit Committee	Dr. Wu Zhanchi *(Chairman)* Mr. Ma Ruiguang Mr. Pan Pan
Remuneration Committee	Mr. Ma Ruiguang *(Chairman)* Dr. Jiang Yanbo Ms. Xu Yanlin
Nomination Committee	Dr. Jiang Yanbo *(Chairman)* Mr. Yu Huiyong Mr. Ma Ruiguang
Strategic Committee	Mr. Yu Huiyong *(Chairman)* Mr. Pan Pan Ms. Zhu Fang
Environmental, Social and Governance Committee	Ms. Xu Yanlin *(Chairperson)* Mr. Jiao Yue Ms. Zhu Fang

[**REDACTED**]

Compliance Adviser	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Principal Banks	**China Merchants Bank, Longhua Branch** Shop L1-023, L2-019A 1/F, 2/F A1 Area, Yifang Tiandi No. 4022, Renmin Road Longhua District Shenzhen China
	Bank of Communications, Xiangzhou Branch 101-B, 1/F Olive Oasis Home Jingtian South Road Futian District Shenzhen China
	Shanghai Pudong Development Bank, Shenzhen Fuqiang Branch 1/F, Qun Building Jingang Haoting Fuqiang Road Futian District Shenzhen China

The information presented in this section is derived from various official government publications and other publications, public market research and the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We have taken reasonable care in extracting and reproducing the information. The information from official government sources has not been independently verified by us, the Sole Sponsor, any of its directors, officers, affiliates, advisors or representatives, or any other party involved in [**REDACTED**].

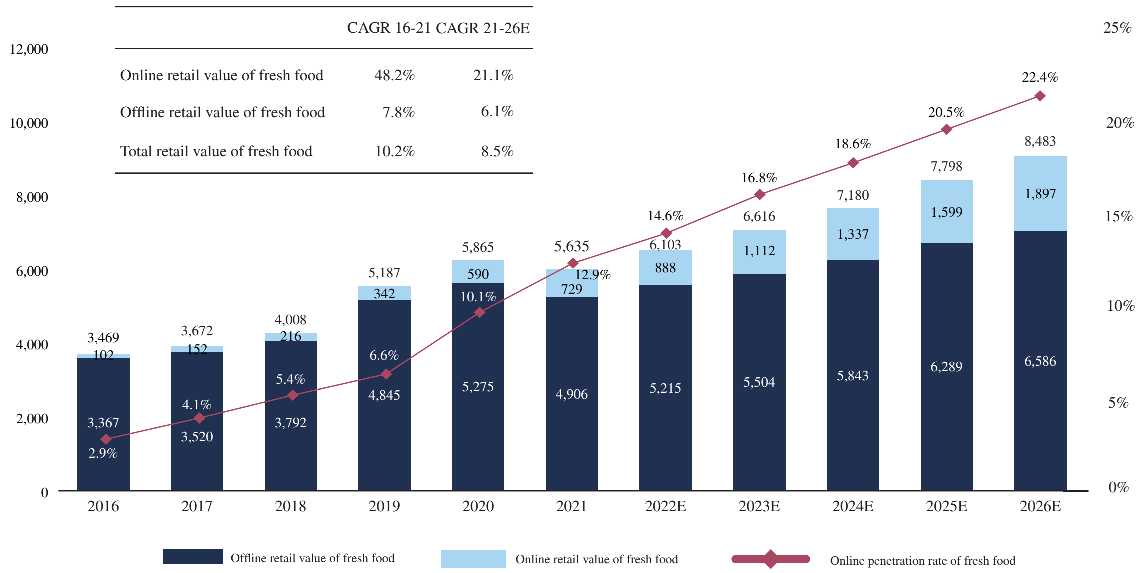
OVERVIEW OF FRESH FOOD INDUSTRY IN CHINA

Fresh food refers to primary products that can be placed on store shelves without deep processing procedures, such as cooking and producing, and requires only necessary preliminary processing procedures, such as freshness preservation and simple treatment, which mainly includes fruits, vegetables, eggs, poultry, meat and aquatic products with high freshness level requirements. Fresh food industry in China has recorded a steady and rapid growth in recent years. With recent consumption upgrading and increased well-being awareness, fresh food has increasingly shown its significant role in domestic economy. China is currently at a critical period of consumption upgrading; on one hand, it has been experiencing an improved living standard, a faster pace of life and a vibrant import and export trade, and, on the other hand, an aging population and subhealth trends have led to an increased spending for health. People are seeking for better life and have increased their consumption demand on fresh products. According to Frost & Sullivan, the total retail sales value of fresh foods in China increased from RMB3,468.5 billion in 2016 to RMB5,635.3 billion in 2021, representing a CAGR of 10.2% and is forecasted to reach RMB8,483.0 billion at 2026, with a CAGR of 8.5% from 2021 onwards.

With multiple driving factors such as the improvement and extensive coverage of cold chain logistics infrastructure, the diversification of distribution methods, and the impact of COVID-19 pandemic on consumption habits since 2020, the online penetration rate of fresh food in China has increased rapidly, resulting in the rapid growth of the market scale. According to Frost & Sullivan, the online penetration rate of fresh food in China increased from 2.9% in 2016 to 12.9% in 2021, and the size of the online fresh food retail market increased from RMB101.9 billion in 2016 to RMB729.0 billion in 2021, with a CAGR of 48.2%. In the future, as more consumers gradually develop the habit of online shopping and the fresh food retail market pays more and more attention to online channels, the online penetration rate of fresh food will continue to increase. According to Frost & Sullivan, the online fresh retail penetration rate is expected to reach 22.4% in 2026, and the online fresh food retail market will reach RMB1,896.8 billion, with a CAGR of 21.1%.

RETAIL SALES VALUE OF FRESH FOOD RETAIL MARKET IN CHINA

RMB billion



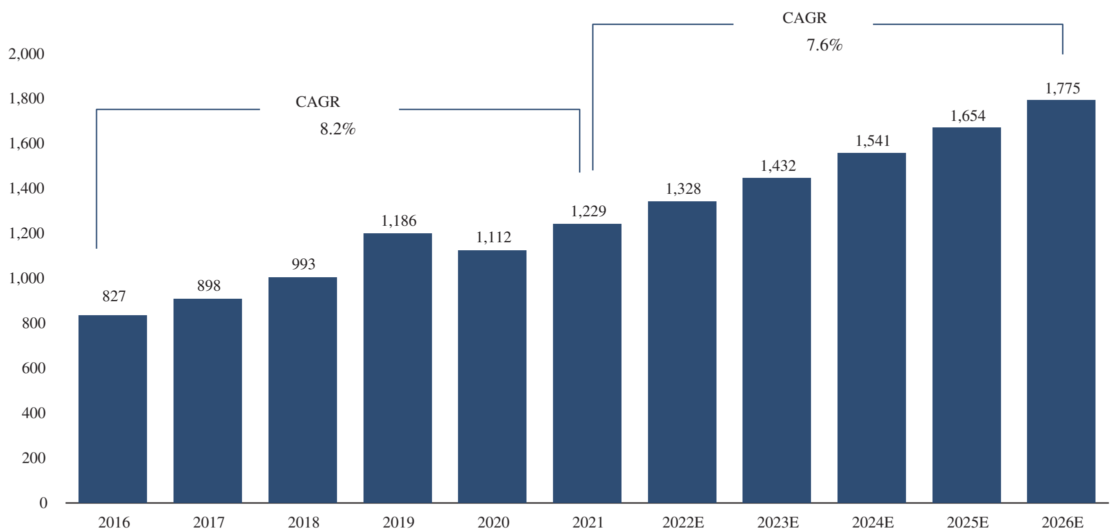
OVERVIEW OF FRUIT INDUSTRY IN CHINA

Scale of Fruit Retail Market

With the increase of consumption expenditure per capita and the upgrade of food and beverage consumption, consumers' demand for high-quality fruits is increasing day by day. The improvement of consumers' awareness of health also makes people pay more attention to food safety and food sources, and consumers are willing to pay a premium for high-quality and delicious fruits. Meanwhile, thanks to the development of the supply chain and the upgrade of cold chain warehousing and logistics technologies, the distribution efficiency has been improved, the fruit loss rates have been reduced, and consumers can enjoy fresh and high-quality fruits in time. In addition, with the rapid development of the Internet and e-commerce, fruit retail business models tend to be diversified, providing consumers with more convenient shopping experience and more choices. According to Frost & Sullivan, in terms of fruit retail sales value, the size of China's fruit retail market has increased from RMB827.3 billion in 2016 to RMB1,229.0 billion in 2021, with a CAGR of approximately 8.2%. Compared with other fresh food, fruits sales profit is relatively higher as fruit sales include multiple selling points, such as a broad variety of choices, rich nutrition for healthy diets, convenience for eating, bright and colorful appearance stimulating consumption desire, and compatibility with various consumption scenarios. Therefore, fruit retail market in the future is expected to witness more kinds of fruits and better shopping experience, and China's fruit retail market still has the potential for further growth. According to Frost & Sullivan, in terms of retail sales value, the scale of China's fruit retail market is expected to further increase to RMB1,775.2 billion in 2026, with an expected CAGR of 7.6% from 2021 to 2026.

RETAIL SALES VALUE OF FRUIT RETAIL MARKET IN CHINA

RMB billion



Major Features of Fruits

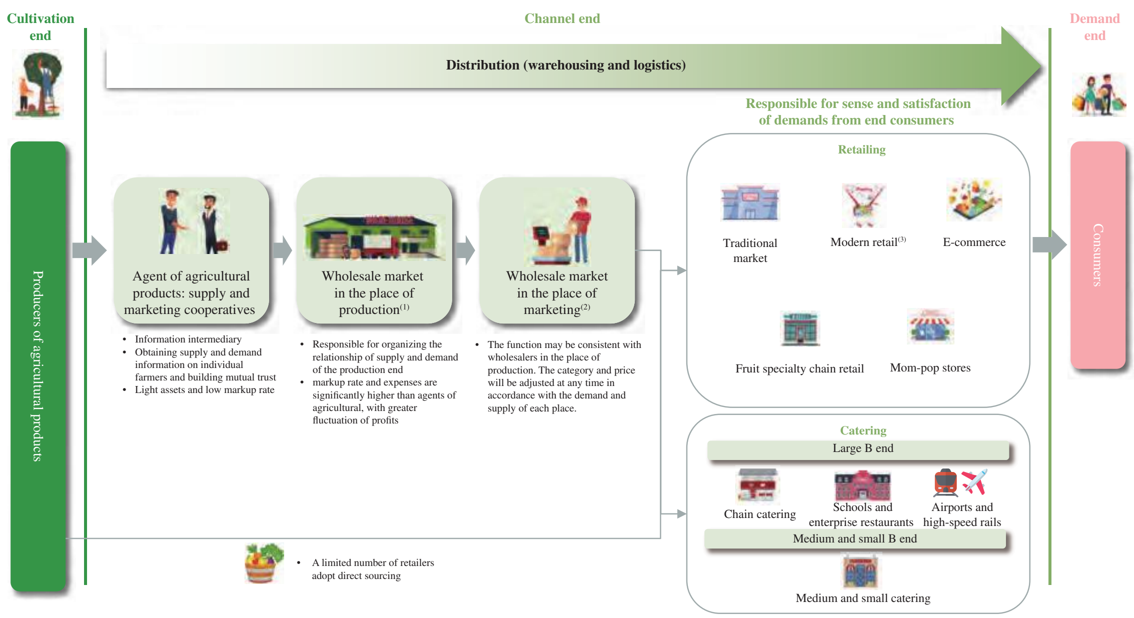
Fruits are mainly non-standardized products, with high loss rate and short shelf life in nature. In terms of consumption characteristics, due to the rich variety and stable demand of daily fruits, fruits have a high purchase frequency and cover a wide distribution area, as well as have the features of planned and immediate consumption.

In particular, fruits are generally edible without processing or merely after preliminary processing, and retain natural and active substances to the largest extent. Certain fruits need to be stored under specific temperature and humidity, thus requiring higher storage and logistics standards. In terms of consumption, colorful fruits and their diverse scents, as well as store display stimulate consumers' willingness to purchase; meanwhile, consumers can touch or try such food in offline stores with the introduction of store sales staff based on their understanding of fruits, which highlights the value of face-to-face selling, thereby effectively increasing order value and purchase rate.

Fruit Value Chain in China

The fruit chain can be divided into cultivation, post-harvest processing, distribution (logistics and warehousing) and sales. Compared with developed countries, traditional fruit value chain in China is generally inefficient and has a higher loss rate resulting from multi-tier distribution. According to Frost & Sullivan, in general, the industry loss rate fluctuates between 35-45%, which, coupled with the costs in connection with multi-tier distribution, results in low profitability of the industry. Along with the development of warehousing and cold chain logistic technologies which enable the loss rate to gradually decrease, together with the development of large scale centralized purchases which reduce the procurement costs, it is expected that there remains a high growth potential for profitability in the future.

In addition, the fragmentation in various phases of the upstream and downstream from cultivation to sales has caused information mismatches and low synergy and efficiency, and therefore, it is difficult for the majority of enterprises to achieve efficient value delivery to end consumers. As a result, few enterprises in the fruit industry in China are able to achieve in-depth engagement in multiple phases of the industry chain, especially the planting end. Enterprises need to have significant professional in-depth insights about fruits and procurement standards, as well as obtain technology advantages and process information from various aspects across the fruit value chain. According to Frost & Sullivan, currently, there are only a few leading fruit specialty retail enterprises in China, such as Pagoda, capable of establishing an ecosystem over the entire fruit industry chain.



Notes:

(1) The main subject of orientation is producers. The wholesale market in the place of production acts as a channel for farmers and producers to sell agricultural products, receive and exchange market information regarding the supply and demand of agricultural products. The main function of wholesale market in the place of production is to collect agricultural products. That is, to collect the products produced by farmers timely and to form bulk commodities before shipping to large and medium-sized cities across the country. Agents and rural brokers are important players in the circulation process of agricultural products. Agents collect agricultural products from farmers and ship to the wholesale market in the place of production.

(2) The main subject of orientation is residents. Wholesale market in the place of marketing is usually located in the suburban area of large and medium-sized cities. It ensures the daily consumption needs of urban residents by providing agricultural products. The agents of participation could be categorized to two kinds: sellers and buyers. Sellers could be agents from the place of origin on agricultural products or from the wholesale market in the place of production, direct-selling farmers from the suburban places of origin, importers of agricultural products, etc. Buyers include supermarket suppliers in the retail industry, retailers in the urban vegetable markets, group buyers and urban residents/consumers.

(3) Including supermarkets, fresh food supermarkets and convenience stores.

In terms of cultivation, China's agricultural sector is principally dominated by peasant farmers rather than specialized agricultural companies, with low arable land per capita, low concentration of planting, low level of specialization and mechanization in agricultural production, and lack of scientific cultivation techniques and post-harvest treatment techniques.

These factors eventually lead to the low cultivation efficiency, unstable product quality, low level of branding, and difficulties in brand premium establishment. Furthermore, due to the lack of an integrated management and quality classification system for post-harvest processing treatments, the procurement standards for fruits vary, causing great differences in the quality and specifications of products in the market. On the contrary, the proficiency, standardization and mechanical automation in terms of planting in developed countries have stabilized the product quality and production yields, and established various prominent category brands, such as Zespri and Sunkist Growers.

In terms of distribution, fruits are often exposed to risks of high cost and high loss. In respect of logistics phase, the fruit industry in China involves several circulation phases and the profit margin in the industry is low. It is evidenced by multiple transshipment required for fruit products and low coverage of cold chain, coupled with high loss rate and layer-by-layer accumulation of logistics and labor cost. Currently, fruit retailers generally cooperate with third-party logistics companies or set up their own logistics to enable product circulation. Third-party logistics companies in China mainly are constituted by regional small- to medium-sized enterprises with uneven levels of transportation capacity, service and quality. In respect of the warehousing phase, the fruit industry in China mainly adopts two models, namely centralized warehousing and dispersed warehousing. The former makes use of main traffic lines, and is mainly located in major cities, with broad warehousing spaces and capabilities for sorting, packing and transshipment. This model is often adopted by self-operated e-commerce retailers and supermarkets. In addition, the centralized warehousing model can often complete preliminary processing in the warehouses, such as fruit classification, cleaning and ripening, to increase the edible value and economic benefit of products. Dispersed warehousing, on the other hand, is closer to consumers, requires higher upfront investment and holds concentrated commodity categories, but these warehouses can achieve shorter delivery time, which is often adopted by integrated online and offline retailers and franchised fresh food community stores. Different from China, due to the dispersed distribution of residential areas in Europe, the United States and other developed countries, centralized warehousing is the mainstream for the time being.

In respect of the retailing end, retailing channels of fruits in China mainly include traditional markets, modern retail (including supermarkets, fresh food supermarkets and convenience stores), e-commerce, and fruit specialty retail (including fruit specialty chain retail and mom-pop stores). A specific comparison between advantages and disadvantages of each retail channel is set out in the section headed "Major channels of fruit retail in China." Compared with others countries, the fruit retail industry in China is highlighted with the following characteristics: (1) the specialty level of fruit retailing is able to enrich consumption experience, and therefore, the fruit specialty chain stores with convenience and specialty have developed significantly; (2) fresh food channel brands under development have become the new emerging force of fruit retailing; (3) due to the popularization of intelligent terminals and e-commerce, as well as the rapid development of corresponding logistics industry, the growth rates of online retailing penetration rate and the home delivery rate of fruits in China are considerably higher as compared with foreign countries; (4) with the emergence of social commerce recently, there have been numerous emerging online retailing methods with a massive user traffic base, such as the social commerce ecosystem in reliance on the WeChat platform; and (5) because residential communities in cities of China are densely populated, fruits for daily consumption are even suitable for sales in stores close to communities, as compared with the consumption habit of periodical bulk purchases from hypermarkets in Europe and the United States.

Major Channels of Fruit Retail in China

The major channels of fruit retail in China include traditional markets, modern retail (including supermarkets, fresh food supermarkets and convenience stores), e-commerce, and fruit specialty retail (including fruit specialty chain retail and mom-pop stores). The table below sets forth the retail sales value and their respective proportion of these major channels.

Retail sales value and proportion of fruit retail channels (classified by channels)

	2016		2021		2026E		CAGR 16-21	CAGR 21-26E
	Sales volume (RMB billion)	*Proportion (%)*	*Sales volume (RMB billion)*	*Proportion (%)*	*Sales volume (RMB billion)*	*Proportion (%)*		
Traditional markets	345.4	41.8%	307.2	25.0%	301.8	17.0%	(2.3)%	(0.4)%
Modern retail	239.7	29.0%	454.1	37.0%	594.7	33.5%	13.6%	5.5%
E-commerce	27.7	3.3%	156.7	12.8%	346.2	19.5%	41.4%	17.2%
Fruit specialty retail								
Fruit specialty chain retail	89.4	10.8%	165.4	13.5%	371.0	20.9%	13.1%	17.5%
Mom-pop stores	125.2	15.1%	145.5	11.8%	161.5	9.1%	3.1%	2.1%
	214.6	25.9%	310.9	25.3%	532.6	30.0%	7.7%	11.4%
Total	**827.3**	**100.0%**	**1,229.0**	**100.0%**	**1,775.2**	**100.0%**	**8.2%**	**7.6%**

Traditional markets are full of a bargaining atmosphere with numerous fruit groceries, but the shopping environment is generally poor and there is a lack of standardized product specifications and quality.

Modern retail, with supermarkets as the representative, has multiple supply sources of fruits, transparent prices, guaranteed quality, as well as complementary offerings of other product categories, which is able to fully meet the immediate consumption demand of customers. However, due to the diversity of product offerings in supermarkets, they generally are less specialized in delicacy management of procurement, freshness management, spoilage management as well as quality classification, as compared with fruit specialty chain stores. Moreover, the location selection and operation of supermarkets require high management specialties.

The online-only e-commerce generally has a higher consumer acquisition cost and the competition is increasingly intensified. Moreover, as fruits are short-term fresh-keeping products, it is required to have relatively high freshness management technologies. There may be great differences between online displayed photos and the actual products, which may easily invite customers' complaints and disputes due to poor supply chain management.

The proficiency of fruit specialty retail is able to enhance consumption experience. Compared with modern retail, fruit specialty retail businesses have in-depth experience in exploring fruit categories. It also ensures a more professional product selection with a relatively higher standards and requirements for fruit quality and specifications. Within the sector of fruit specialty retail and compared with the mom-pop stores, fruit specialty chain retail typically possesses a uniformed management system and maintains a certain level of standardization with respect to procurement, product classification, warehousing and logistics and sales. Particularly, those domestically leading national fruit specialty chain retailers generally place their focus on supply chain management, adopt standardization with respect to various operational procedures, and are committed to establishing channel brands as well as fruit product brands, which allow their consumers to enjoy high-quality services and products.

Fruit specialty retailers with community stores and omni-channel that rely on the brand influence are expected to have greater growth potentials.

- Community stores have experienced a rapid development in recent years, which typically are located close to residential areas and are able to provide home delivery service. Such a model has a high penetration rate and can meet the face-to-face selling feature that is suitable for sales of fruits. It also caters to the consumers' needs for convenience and personalized services. Meanwhile, community stores are usually small in size, achieving a high average sales per unit area. However, operating a community store imposes relatively higher requirements of managerial skills of store managers and depends on brand influence.

- Omni-channel new retail has been developing quickly in recent years, which offers rich product categories. On one hand, online purchase provides great convenience. On the other hand, offline stores are able to provide warehousing capabilities and attract consumers to step in and make repeat purchases.

MAJOR GROWTH DRIVERS OF FRUIT INDUSTRY IN CHINA

The upgrade of food and beverage consumption and improvement of consumers' awareness of health drive the increase of fruits consumption

With the upgrade of food and beverage consumption and the acceleration of the pace of life, Chinese people pay an increasing attention to health. The increase of consumers' awareness of health promotes the fruits consumption. According to Frost & Sullivan, the per capita consumption of fruits increased from 43.9 kilograms in 2016 to 52.7 kilograms in 2021, representing a CAGR of 3.7%. It is expected to reach 60.5 kilograms in 2026, representing a CAGR of 2.8%. Compared with developed countries, the per capita consumption of fruits in the United States was 2.1 times of that in China, while for Japan, which has a similar diet structure with China, the per capita consumption of fruits was 1.4 times of that in China. There is a great potential for the growth of China's fruits market. Meanwhile, as China's economic growth has led to a continuous increase in disposable income per capita, after meeting individual basic needs, consumers have shifted their focus from "being full" in the past to "eating well" and "eating healthily" nowadays. Consumers pay more attention to food safety and food sources, and are willing to pay a premium for high-quality fruits. In particular, with the deepening of urbanization, consumption upgrade and the growth potential of consumption capacity of residents in the third and fourth tier and below cities in China have entered into a high speed track.

In August 2019, the National Health Council issued the "Healthy China Action (2019 – 2030)" (Healthy China Action), encouraging residents to improve their diet structure, and constantly emphasizing the importance of promoting healthy diet. The continuous improvement of health awareness is mainly represented by vegetarian and organic food as healthy diet.

In addition, since the younger generation gradually realizes the significance of healthy diet and time fragmentation, and due to the directly edible characteristics which enable fruits to become a snack between meals, the younger generation has consumed fruits as the main dietary substitute in their daily leisure, which has further promoted the expansion of the consumption scenarios and enhanced the consumption and market growth of fruits.

Rapid development of supply chain and improvements in cold chain and constant temperature warehousing logistics technologies

Due to the difficulty of fruit warehousing, high requirements for transportation and other specialties, the lag of logistics technology in the past has caused considerable loss of fresh food. The expansion of logistics coverage, and rapid developments in cold chain and constant temperature logistics technologies have enabled the upgrades of professional transportation vehicles and warehouses, which has increased the transportation speed, and effectively reduced the loss. Looking forward, cold chain enabled logistics will develop rapidly and account for a considerable proportion in the whole logistics network. Self-built logistics and third parties of professional cold chain are expected to grow rapidly, addressing the huge demand for cold chain logistics. Expansion of logistics coverage, including more constant temperature warehouses, professional transportation vehicles and labor force, is able to speed up transportation and reduce damage costs. With continuous applications of the Internet of things, block chain, radio-frequency identification, intelligent temperature control and other cutting-edge technologies in cold chain logistics, real-time monitoring means, such as cold chain traceability and whole process monitoring, will be gradually commercialized in the logistics phases, which will effectively guarantee the quality control and reduce loss of fruit products. The development of supply chain and the promotion of cold chain warehousing and logistics technologies have successfully guaranteed the quality of the fresh food products from farmland to dining table, further driving rapid development of fresh food industry.

National support policies for fruit industry

In recent years, China has launched a series of policies to vigorously support the development of the fruit industry, covering planting, logistics, sales and other aspects. Such policies emphasize the importance of agricultural quality and safety to the lifestyle of citizens, and encourage the transformation and upgrade of agricultural products, standardization of logistics and warehousing, as well as new retail of agricultural products. The following table summarizes several relevant policies and government supported projects launched by the central government in recent years:

Policies	Date of issuance	Issuing authorities	Objectives of policies
Development Plan for Cold Chain Logistics of "14th Five-Year"	2021	State Council of the PRC	Building a national backbone network of cold chain logistics with internal and external connections, improving the large-scale development and network operation of cold chain logistics, improving the utilization efficiency of cold chain facilities in production areas and the level of post-production commercialization of agricultural products, and giving full play to the important role of cold chain logistics in promoting consumption and improving social and people's livelihood.
The Rural Development Plan of Digital Agriculture (2019-2025)	2020	Ministry of Agriculture and Rural Affairs, the Office of the Central Cyberspace Affairs Commission	Promoting the development of digital agriculture and rural construction by establishing a basic data collection system. Speeding up the digital transformation of production and operation, promoting the digital transformation of management services, strengthening the innovation of key technologies and equipment, and implementing the construction of the National Agricultural and Rural Big Data Center.

Policies	Date of issuance	Issuing authorities	Objectives of policies
Main Points of Planting in 2019	2019	Ministry of Agriculture	Adhering to "integration, improvement, promotion and unsealing" to deepen supply-side structural reform of agriculture, stabilize grain production, ensure supply of major agricultural products, adjust and optimize the planting structure, accelerate the promotion of green development, and comprehensively promote the development of high-quality planting industry.
Opinions on Accelerating the Development of Cold Chain Logistics to Ensure Food Safety and Promote Consumption Upgrade	2017	State Council of the PRC	Establishing a modern cold chain logistics system with strict standards and better traceability covering the entire value chain. Improving cold chain logistics infrastructure network and cold chain logistics information level, improving cold chain circulation rate, refrigerated transportation rate of fresh agricultural products and perishable food, and reducing the decay rate of fresh products.
Opinions of General Office of the State Council on Promoting Innovation and Transformation of Physical Retail	2016	State Council of the PRC	Proposing 16 specific measures in five categories to promote the transformation, upgrade and development vitality of physical retailers. Among those, measures such as promoting online and offline integration, innovating operation mechanism, simplifying administration and decentralization, promoting fair competition and reducing tax burden of enterprises have become important guarantees to support the development of new retail industry.
Guiding Opinions of the State Council on Vigorously Advancing the "Internet Plus" Action	2015	State Council of the PRC	Emphasis is placed on improving the rural e-commerce distribution service network and solving the key problems such as standardization of agricultural products, standardization of logistics, cold chain warehousing construction, etc..

MAJOR TRENDS OF FRUIT GROCERIES INDUSTRY IN CHINA

Promotion of establishment of standard system of the entire industry chain from agricultural modernization and continuous improvement of supply chain efficiency

For the planting end, the planting process of fruits in the past often lacked support of modern agriculture, while the mechanized production capability was low, and the planting was highly dispersed. With the development of modern planting technology and science and technology, the mechanization level in planting of fruit groceries has been greatly improved, gradually transforming the planting into centralized cultivation and realizing the application of technology, standardization and promotion of large-scale cultivation of fruits, so as to reduce costs, improve quality and production volume, and meet the increasing consumers' demand. In terms of warehousing and logistics, by virtue of advanced cold chain logistics and supply-chain management capabilities, enterprises may simplify and shorten the circulation process, improve circulation efficiency and reduce costs. In terms of sales channels, fruit specialty retailers, modern retailers and e-commerce operators rely on the optimization of connection from cultivation to sales and trend of direct sourcing, to shorten the circulation phases and logistics duration, reduce losses, further improve the overall supply chain efficiency, and increase corporate profitability and quality control level.

For example, direct sourcing accounts for a high proportion of the procurement of certain leading retailers which shortens the procurement chain, and ensures product quality and freshness from the source. To the sales end, delivery from the city warehouses to the store warehouses, integrated warehouses or front warehouses covers the communities within one to three km, which in turn shortens the time for logistics and ensures freshness and prompt delivery of products.

Replacement of traditional channels by modern retail and new retail

Traditional markets have been replaced by modern retail and fresh specialty retail. China's large-scale urban transformation has led to continuous reduction in the number of traditional markets. At the same time, diversified sales channels have emerged and entered to the market to meet the consumers' needs for enhanced convenience and shopping environment, in particular, the omni-channel new retail which offers diversified consumption scenarios. New retail represents a consumer-centric and data-driven form of retail. Omni-channel new retail typically refers to the integration of online and offline shopping, leveraging modern technologies, data and customer engagement techniques. On one hand, offline face-to-face selling is able to enhance the consumption experience. On the other hand, the integration of online and offline sales is able to meet the needs of immediate consumption and convenience. Consumers have been gradually shifting from traditional markets to new retail operators. According to Frost & Sullivan, in terms of fruit retail sales value, the proportion of traditional markets decreased from 41.8% in 2016 to 25.0% in 2021 with regard to the retail market for fruits, and will continue to decrease. It is expected to decrease to 17.0% in 2026.

New retail model, such as e-commerce and omni-channel retail, has been emerging. New retail model leverages technologies to grasp consumers' purchasing habits and provide more convenient shopping experience and more choices. Its market share among all the fruit retail channels has been continuously increasing. On the other hand, community-based offline fruit specialty chain retail is able to cover the communities within one to three km., which offers convenient shopping experience, hence driving high repeat purchase rate. Being closer to consumers may bring more understanding about the purchasing habits of consumers, so as to place fewer products by changing different product categories, thereby reducing the loss of fruits. Meanwhile, fruit new retail operators take advantage of the integration of cultivation and sales end to shorten the logistics duration, and reduce losses. Such advantages have enabled new retail model to play an increasingly important role in fruit retail industry, further contributing to the growth of the industry. According to Frost & Sullivan, in terms of total fruit retail sales value, the aggregate proportion of e-commerce and omni-channel new retail increased from 3.3% in 2016 to 19.0% in 2021. The market share will increase significantly, and it is expected to reach 33.5% in 2026.

In addition, the outbreak of COVID-19 in the beginning of 2020 accelerated the acceptance level and frequency of use of online consumption of fruit grocery products, causing many retail operators who only operated offline stores to immediately establish online channels. Even after the outbreak of the pandemic, the fruit industry's trend to expand online business opportunities based on offline stores is expected to continue.

Application of science and technology to control fruit quality, reduce loss rate, improve operation and maintenance efficiency of enterprises for reducing costs

Fresh and fruit retailers will catch up with the progress and integration of 5G, artificial intelligence, big data and other technologies to improve logistics management, control the quality and freshness of fruits, reduce losses to reduce costs. Through the feedback from front-end sales data, retailers may adjust the variety, quantity and brand of fruits to reduce unsalable fruits and eliminate unnecessary costs. Efficient delivery and replenishment of goods will be carried out through the Internet of things and real-time data sharing to ensure the freshness and quality of fruits. In addition, retailers may also store a large number of customer data, such as purchase frequency, favorite fruit categories, preferred brands, etc., and formulate a personalized membership system to achieve accurate and personalized marketing.

Diversified offering and branding of fruit categories, and increase of imported fruits

The increase of consumers' demand promotes the diversified offering and branding of fruit categories. In addition, as disposable income per capita increases and consumers are more concerned about the consumption experience, fruit buyers will select high-quality retailers which provide more fruits.

At present, China's fruit industry is in the period of industrial transformation and upgrade, and fruit products are transforming to standardization. Meanwhile, with the awakening of brand awareness, fruit companies have begun to build their own brands. However, currently, there are few enterprises simultaneously deploying channel brands and product category brands. Traditional and emerging fruit retailers rely on purchasing diversified fruits and quality control to improve the ultimate value-adding to the products, creating category brands with differentiated products to establish their own brand images. Stronger planting and processing technology, mechanized-oriented unified processing, as well as the emphasis on quality control ensure and accelerate this trend. A strong fruit brand will change the traditional idea that customers may only evaluate fruits in accordance with the place of production and freshness, in order to increase customer stickiness, and maintain a long-term relationship with loyal customers while realizing brand premium.

There will be more imported fruits and diversified fruit varieties in the fruit retail market in the future. With the support of Belt and Road Initiative, and development of long-distance transportation, it will be more efficient for retailers to import fruits from all over the world to meet the needs of consumers for imported fruits.

BARRIERS AND COMPETITION PATTERN OF FRUIT GROCERY MARKET OF CHINA

Barriers to Entry

The new market entrants of fruit industry in China encounters numerous barriers, including the following relevant contents:

- **Standardization system and brand:** standardization of agricultural products is different from other commodities, and fruit products are not easy to be quantified by standards. There is no recognized industry standard for fruits in China. Fruit retailers have to invest tremendous time and money to establish and maintain their own purchasing standard and quality control systems. In order to provide standardized and branded fruits, retailers shall set standards for the entire process, including planting, picking, sorting and packaging.

- **Logistics and warehousing:** it is difficult to build and manage cold chain logistics and "last kilometer" distribution system. Fruit products are fragile and perishable, and need a well-designed cold chain logistics system. Fresh products such as fruits are particularly vulnerable to high temperature and careless unloading during transportation and warehousing, which may lead to deterioration and damage. The well-designed cold chain logistics system is an obstacle for new entrants. In addition, the threshold with respect to cold chain logistics for new retail of fresh food is even higher than that of traditional retail of fresh food, as the new retail model has higher standards for service and user experience.

- **Capability of controlling the quality to supply high-quality fruits:** high-quality fruit producers and brand suppliers are scarce resources in China, so retailers need to have strong upstream control ability. At present, large-scale retailers in China mainly cooperate with producers through direct sourcing, intervene in the upstream supply chain, provide relevant planting technical guidance, formulate relevant fruit standards based on accumulated rich industry experience, and improve the quality and stability of fruits while reducing the circulation phases. In addition, retailers have long-term cooperation with domestic and overseas large brand suppliers to further guarantee the quality.

- **Information technology and capability of operation management:** advanced ERP system (or sales, inventory and transportation management system) is required for daily operation, which is the basic technical obstacle for new retail operators of fruit groceries. Offline and online sales and data are converging into a new retail model, and "middle-end" management is becoming increasingly important. In terms of product operation, using big data and artificial intelligence technology to manage their users and marketing activities requires a skilled and experienced team. The management of new retail operators of fresh food (such as fruits) are required to have a deep understanding of rapidly updated retail models in China and the way to realize the digitalization of business and operation, and better understand the latest market trends and changes in the preference of consumers. A strong membership system may manage a large customer base and maintain high consumer loyalty. The data collected by retailers in the membership system may better understand consumers' needs, such as understanding consumers' preference for fruits, adjusting the types and sales methods of fruits in a timely manner in accordance with the changes in demand, and improving loyalty of users. Fruit retailers need to distinguish, recognize and grasp the needs of consumers in order to bring user retention.

- **Capital investment:** Building its own operation system, from the layout of planting end (modern planting technology) to channel end (warehousing and logistics) and retail end (store, front-end warehouses and marketing, etc.), requires a large amount of capital as support. For example, the maintenance and labor cost of the operating logistics system is also a heavy financial burden for retailers. High rotten rate of fruits in the process of transportation and warehousing has put great pressure on the early profits of fruit retailers, which requires sufficient funds for support.

Competitive Landscape

Fruit retail industry in China is highly fragmented, with fierce competition among existing market participants. According to Frost & Sullivan, in 2021, in terms of fruit retail sales value, the Group was the largest company in the fruit retail industry in China, accounting for 1.0% of the market share, and the top five participants accounted for an aggregate of 3.6% market share in total.

The following table shows the top five retail enterprises in China in terms of fruit retail sales value for the twelve months ended December 31, 2021, and each of their market share and the number of stores as of December 31, 2021.

Top five retail enterprises in China in terms of fruit retail sales value

Rank	Name	Retail sales value of fruits	Market share	Number of stores
		(RMB billion)		
1	Pagoda (百果園)	12.7	1.0%	5,249
2	Company A(1)	10.8	0.9%	4,320
3	Company B(2)	8.5	0.7%	1,065
4	Company C(3)	7.7	0.6%	4,313
5	Company D(4)	5.2	0.4%	302

The following table sets forth the top five fruit specialty retail enterprises in China in terms of fruit retail sales value for the twelve months ended December 31, 2021, and each of their market share and the number of stores as of December 31, 2021.

Top five fruit specialty retail enterprises in China in terms of retail sales value

Rank	Name	Retail sales value of fruits	Market share	Number of stores
		(RMB billion)		
1	Pagoda (百果園)	12.7	1.0%	5,249
2	Company E(5)	4.5	0.4%	1,800
3	Company F(6)	2.7	0.2%	817
4	Company G(7)	1.3	0.1%	2,570
5	Company H(8)	0.9	0.1%	246

* *Source: Frost & Sullivan, based on company public information and independent research of Frost & Sullivan*

Notes:

(1) Company A is famous as an e-commerce platform for services. It cooperates with a number of merchants and diverse partners to offer consumers quality services across field (e.g. entertainment, dining, stores business, food delivery, travel, hotel and others). It accelerates the digital upgrade of life service industry in China. It has covered more than 300 cities in 20 provinces and municipalities in China.

(2) Company B is a leading fresh food retail company in China with multi-level brands of supermarkets. It provides fresh food, fresh agricultural and other products through self-operated supermarkets, warehouse stores and online platforms. As of December 31, 2021, it had 1,057 stores of supermarket format, covering 29 provinces and municipalities in China.

(3) Launched in 2020, Company C is an agricultural platform/channel offering next-day low-cost grocery pick-up service, operated by an emerging social e-commerce giant in China. Company C is a natural extension of the social e-commerce giant's mobile commerce platform. It is featured on the internet giant's Apps, offering groceries like fresh food, dairy products, alcohol and beverages, snacks, condiments, household necessities (e.g. detergent) and medical supplies.

(4) Developed by a leading China internet giant in 2016, Company D is the kind of supermarket which embodies the fusion of e-commerce with brick-and-mortar retail through integrating both online and offline experiences and services. Positioning as a new retail model of supermarket, Company D is driven by data and technology during the provision of fresh food to consumers.

(5) Company E operates fruit stores since 1997 with five major operating fruit-related brands as one of the largest fruit chain enterprises in China. It has more than 2,000 stores nationwide and operates modern cold chain storage centers. It also cooperates with fruit planting bases around the world and directly participates in fruit planting and other industry value chain.

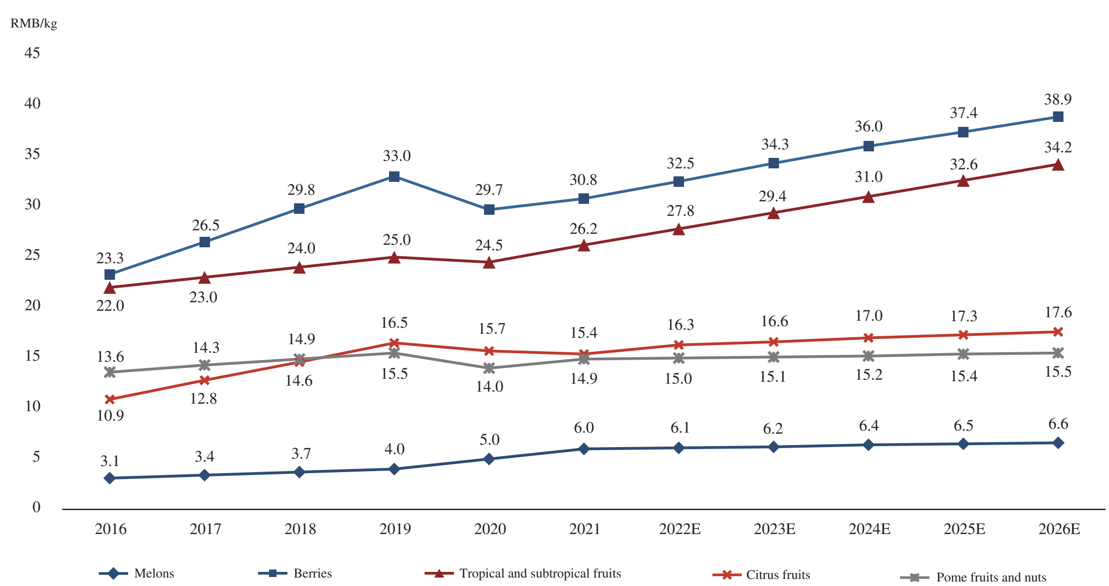
(6) Founded in 1998, Company F is a fruit specialty retail enterprise integrating fruit planting, wholesale, e-commerce business and chain-store retail. It has a modern logistics distribution center and directly supply fruit orchards around the world.

(7) Company G is a fruit specialty retail enterprise founded in 2012. It develops rapidly with nearly 400 retail stores in Jiangxi Province within two years. At present, it has 3,000 stores across the country.

(8) Founded in 1991, Company H has engaged in the supply of fruits, fruit juice and other food procurement and sales activities for more than 30 years and has become a famous large-scale fruit chain supermarket in Zhejiang Province.

PRICE OF RAW MATERIALS OF MAJOR FRUITS

According to Frost & Sullivan, the following table shows the wholesale price of major fruit categories in China from 2016 to 2026.



SOURCES OF INDUSTRY DATA

We engaged Frost & Sullivan, an independent market-research consultant, to analyze the fresh food market in China and prepare a report for the purpose of this document, for which we paid a commission fee of RMB1.15 million. Frost & Sullivan is an international consulting company founded in 1961. Currently, Frost & Sullivan has a total of more than 2,000 industry consultants, market research analysts and economic experts in 40 offices over the world.

Frost & Sullivan prepared this report based on data published by government authorities, NGOs and its preliminary research.

As events or combinations of events that cannot be reasonably foreseen, including but not limited to the actions of governments, individuals, third parties and competitors, the forecasts and assumptions contained in the Frost & Sullivan Report are essentially uncertain information, which may be substantially different from the actual results. The specific factors leading to such differences include, but are not limited to, the inherent risks, financial risks, labor risks, supply risks, regulatory risks and environmental problems in the retail market of fresh groceries and fruits in China.

Unless otherwise specified, all data and projections contained in this section are extracted from the Frost & Sullivan Report. Directors confirm that, after reasonable and prudent action, there has been no adverse change in the overall market information since the date of Frost & Sullivan Report that would subject the data to significant restrictions, contradictions or adverse effects.

INDUSTRY REGULATIONS

Substantially all of our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC government. This section summarizes the major laws, rules and regulations which impact key aspects of our business.

REGULATIONS ON ACCESS OF FOREIGN CAPITAL

According to the Special Administrative Measures for Foreign Investment Access (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)(二零二一年版)》) adopted by the National Development and Reform Commission and the Ministry of Commerce on December 27, 2021 and effective from January 1, 2022, franchised operation businesses and sale business of fresh fruits, dried fruits, vegetables and other fresh groceries are included in the industry of permitted foreign investor investment.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the National Peoples' Congress on March 15, 2019 and effective from January 1, 2020, the management system of pre-access national treatment plus negative list is implemented by China for foreign investment, and foreign investment out of the negative list is entitled to national treatment.

As confirmed by the Company, the Group's online channels mainly comprise its online mobile Pagoda APP, WeChat mini-program, storefronts on e-commerce and social commerce platforms such as Tmall, JD.com, and Douyin, and storefronts on third-party food delivery platforms such as Meituan, Koubei and Ele.me. Pursuant to the Announcement on issues related to Value-added Telecommunications Services License published by Guangdong Communication Administration, enterprises carry out business through WeChat, Alipay and other online mini-program, official accounts, etc. instead of independent self-run platforms, are not required to apply for Value-added Telecommunications Business License. Based on the interview with Shenzhen Communication Administration, given that the Group carries out online selling through mobile APPs, WeChat mini-program and other online channels, the Group is not required to apply for Value-added Telecommunications Business License, and the Group's Overseas Financing, [**REDACTED**] of H-share and the Group's business operation do not fall under the supervision of Shenzhen Communication Administration and will not be affected by Shenzhen Communication Administration.

Based on the above reasons, the PRC counsel is of the view that the Group's online selling does not constitute value-added telecommunications business services and restricted or prohibited activities regulated under Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021).

RULES AND REGULATIONS IN THE PRC REGARDING FOOD SERVICE INDUSTRY

Food Business License

According to the Administrative Measures for Food Operation License (《食品經營許可管理辦法》) promulgated by the State Food and Drug Administration on August 31, 2015, and most recently amended on November 17, 2017 and effective from the same day, entities or individuals involved in food operation and catering service in China shall obtain the food operation license, which shall be effective for 5 years. Applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects.

Food Safety

According to the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) (the "**Food Safety Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on February 28, 2009, and most recently amended on April 29, 2021 and effective from the same day, and the Implementation Regulations for the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法實施條例》) (the "**Implementation Regulations for the Food Safety Law**") promulgated by the State Council on July 20, 2009 and effective from the same day, and most recently amended on October 11, 2019 and effective from December 1, 2019, food producers and business operators shall be responsible to the society and public, ensure food safety, accept social supervision and assume social obligations in compliance with laws, regulations and food safety standards. The Food Safety Law regulates not only food production and processing, food sales and catering service, but also the use of food additives, food-related products, food storage and transportation by food producers and operators.

As stipulated in the Food Safety Law, the quality and safety management of agricultural primary products supplied for food shall be subject to requirements of the Law of the People's Republic of China on the Quality and Safety of Agricultural Products (《中華人民共和國農產品質量安全法》). However, the market sales of edible agricultural products, establishment of relevant quality safety standards, disclosure in relation to safety information and where required by the Food Safety Law on agricultural inputs, shall be in compliance with the Food Safety Law.

Quality and Safety of Agricultural Products

According to the Law of the People's Republic of China on the Quality and Safety of Agricultural Products (《中華人民共和國農產品質量安全法》) promulgated by the SCNPC on April 29, 2006 and effective from November 1, 2006, and most recently amended on October 26, 2018 and effective from the same day, agricultural products refer to primary products from agriculture, i.e. plants, animals, micro-organisms and their products obtained from agricultural activities. Agricultural products sold by entities or individuals engaging in purchase of agricultural products, where packaging or tag marking in accordance with regulations is required, shall be packaged or marked with tags before marketing. Contents such as product name, origin, producer, date of production, shelf life, rating of product quality shall be stated at the package or tags in accordance with regulations; where food additives are used, the name of the additives shall also be specified as required. Materials including preservatives, antiseptics and additives used in the packaging, preserving, warehousing and transportation of agricultural products shall meet the relevant compulsory technological standards of the PRC.

Food Recall

As provided by the Administrative Measures for Food Recall (《食品召回管理辦法》) promulgated by the State Food and Drug Administration on March 11, 2015 and the most recently amended and effective from October 23, 2020. A food producer or business operator shall, according to law, assume primary responsibilities for food safety, by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where a food producer finds that its production of food does not comply with the food safety standards, it shall immediately cease the production, recall the food on the market for sale, notify the relevant producers and operators, as well as consumers, and record the recalling and notification. Where a food operator finds that the food traded by it does not comply with the food safety standards, it shall immediately cease the trading, notify the relevant producers and operators, as well as consumers, record the cessation of operation and notification. Where the food producers consider that the food shall be recalled, the food shall be recalled immediately. The food producers are required to take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or operators fail to recall or cease trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of the laws, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or stop the sale.

RULES AND REGULATIONS IN THE PRC REGARDING FOOD IMPORT AND EXPORT INSPECTION AND QUARANTINE

Food Import and Export

Under the Food Safety Law as well as Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall be consistent with the national food safety standards of China. A food importer shall apply for inspection with the import and export inspection and quarantine authority for the imported food and food additives, make truthful report on the relevant information of products, and attach qualified documents as provided by the laws and administrative regulations. The imported food, after arrival at the port, shall be stored in the place designated or approved by the import and export inspection and quarantine authority; where relocation is required, necessary safety protection measures shall be taken in accordance with the requirements of the import and export inspection and quarantine authority. Bulk imported food shall be subject to inspection at the port of discharge.

The Administrative Department of Health under the State Council shall, in compliance with the provisions of Article 93 of the Food Safety Law, review the relevant national (regional) standards or international standards submitted by overseas exporters, overseas production enterprises or their entrusted importers, and then decide to tentatively apply and publish such standards as found in line with food safety requirements. Before the publication of such tentative applicable standards, no import shall be conducted regarding food without national food safety standards yet.

The imported pre-packaged food and food additives shall be accompanied with labels written in Chinese and instructions, if the instructions are required by the laws, written in Chinese. The labels and instructions shall be consistent with the provisions of the Food Safety Law of the People's Republic of China and other relevant laws and administrative regulations of China as well as the requirements of the national food safety standards, and indicate the origin of food and name, address and contact methods of a domestic agent. Where any pre-packaged food is not accompanied with labels or instructions in Chinese or the labels or instructions are not consistent with the requirements, the pre-packaged food shall not be imported. The importer shall establish a food import and sale record system to truthfully record the names, specifications, quantities, dates of production, lot numbers of production or import, shelf life, name, address and contact methods of exporters and purchasers, dates of delivery, etc., and keep the relevant documents.

The production enterprises of food and food additives to be exported shall ensure their exported food and food additives are in compliance with standards of the country (region) where such food, food additives are imported, and where international treaties or agreements entered into or joined by the PRC require, such international treaties or agreements shall also be complied with. The production enterprises of exported food and the planting and breeding farms of raw materials for exported food shall be filed with the department of entry and exit inspection and quarantine department of the state.

Pursuant to the Measures for the Supervision and Administration of Inspection and Quarantine of Inbound Fruits (《進境水果檢驗檢疫監督管理辦法》) promulgated by the State Administration of Quality Supervision Inspection and Quarantine (canceled) on January 5, 2005 and effective from July 5, 2005, and most recently amended by the General Administration of Customs on November 23, 2018 and effective from the same day, before entering into a trading contract or agreement for inbound fruits, an application for quarantine approval for inbound fruits shall be filed with the General Administration of Customs in accordance with relevant regulations and the License for Import Animal and Plant Quarantine of the PRC (《中華人民共和國進境動植物檢疫許可證》) shall be obtained. Inbound fruits shall be consistent with the relevant inspection and quarantine requirements, for example, other fruits not specified in the plant quarantine license shall not be mixed in or entrained, the name, source, name or code of the packing factory of fruits shall be tagged on the packing box in Chinese or English, quarantine pests, soil, and plant debris of branches and leaves prohibited in China shall not be brought in, and the volume of toxic and harmful substances examined shall not exceed as stipulated by relevant safety and health standards in China.

Pursuant to the Measures for the Supervision and Administration of Inspection and Quarantine of Outbound Fruits (《出境水果檢驗檢疫監督管理辦法》) promulgated by the State Administration of Quality Supervision Inspection and Quarantine (canceled) on December 25, 2006 and effective from February 1, 2007, and most recently amended by the General Administration of Customs on November 23, 2018 and effective from the same day, in case of any bilateral agreement or protocol, etc., entered into between China and the importing country or region which clearly stipulates that, or at the requests of any laws and regulations of the importing country or region, the orchard and the packing factory of the fruits exporting to that country or region shall be registered, the Customs shall register the orchard and the packing factory of the fruits exporting to the respective country or region in accordance with legal provisions. The orchard or the packing factory may file an application for registration to the Customs in the absence of a bilateral agreement or protocol between China and the importing country or region, or when registration is not clearly required by any laws or regulations of the importing country or region.

Foreign Trade

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and most recently amended on November 7, 2016 and effective from the same day, any foreign trade business operator engaged in the import and export of goods or technologies shall be registered with the administrative department of foreign trade of the State Council or the institution entrusted by it, but those that are exempted from registration for record by laws, administrative rules and rules of the department in charge of foreign trade under the State Council shall be excluded. If the foreign trade business operator fails to complete such registration in accordance with the regulations, the Customs will not process the procedures of declaration, inspection and release for the import or export of goods. Furthermore, the foreign trade operator engaging 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》) passed by the MOFCOM on June 25, 2004 and most recently amended on May 10, 2021 and taking effect on the same day.

Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》) adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective from the same date, the Customs of the People's Republic of China is the state's entry and exit customs supervision and administration authority. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggages, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) adopted by the General Administration of Customs on November 19, 2021 and effective from January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry re-application of recordation can be made.

Laws and regulations in the PRC in relation to product quality and consumer protection

Product Quality Law

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 and effective from the same date, producers shall assume responsibilities for the product quality produced by them. Sellers shall adopt measures to maintain the quality of products for sale. Enterprises may not produce or sell counterfeit products in any way, and violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes personal injury or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. If the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

THE CONSUMER PROTECTION LAW

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), promulgated by SCNPC on October 31, 1993 and most recently amended on October 25, 2013 and coming into effect on March 15, 2014 sets out standards of behavior for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations; (ii) accurate information concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liabilities to undermine the legal rights and interests of consumers.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO SINGLE-PURPOSE PREPAID CARDS

According to the Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) ("**Administrative Measures for Single-Purpose Prepaid Cards**") promulgated by MOFCOM on September 21, 2012 and most recently amended on August 18, 2016 and came into effect from the same date, single-purpose prepaid cards refer to prepaid vouchers issued by enterprises engaging in retailing, catering and restaurants, and residents services, for the purpose of payment for goods or services solely within such enterprises, groups to which such enterprises are affiliated, or the franchised operation system of the same brand, including physical and virtual cards in form of magnetic stripe cards, chips or paper coupons. According to the Administrative Measures for Single-Purpose Prepaid Cards, cards issuing enterprises shall file within 30 days from the commencement date of its single-purpose prepaid cards business in accordance with the following regulations: (i) group issuers and brand issuers shall file their card issuing arrangement with competent commerce departments at the provincial, autonomous regional, or municipal people's government level at their place of industrial and commercial registration; (ii) Scale issuers shall file with competent commerce departments at the municipal people's government at their place of industrial and commercial registration which is divided into districts; (iii) Other issuers shall file with competent commerce departments at the county (municipal or regional) people's government at their place of industrial and commercial registration. The cap for a single name-bearing card shall not exceed RMB5,000, while that of an anonymous card shall not exceed RMB1,000. There will be no expiry date for a name-bearing card while that of an anonymous card no less than 3 years. Violation of the above regulations by card issuers may be ordered to correct. Where such corrections are overdue, a fine of above RMB10,000 and below RMB30,000 shall be imposed.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO INFORMATION SECURITY AND DATA PRIVACY

To protect the legitimate rights and interests of telecommunication and Internet users, the Ministry of Industry and Information Technology issued the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) on July 16, 2013, which became effective from September 1, 2013, to clarify the scope and obligors of protecting personal information of telecommunication and Internet users. The scope of protecting personal information stipulated in the Provisions on Protection of Personal Information of Telecommunication and Internet Users includes information such as user name, birth date, ID number, address, phone number, account and password, etc, enabling identification of users separately or in combination with other information collected by telecommunication service operators and Internet information service providers in provision of services. Telecommunication service operators and Internet information service providers shall not collect or use personal information of users without the consent of users. Telecommunication service operators and Internet information service providers shall keep confidential the personal information of users known in the performance of their duties, and shall not disclose, tamper with or damage, sell or illegally provide such information to others. Telecommunication service operators and Internet information service providers shall take technical and other measures to prevent unauthorized disclosure, damage or loss of users' personal information.

According to the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**") promulgated by the SCNPC on November 7, 2016 and came into effect from June 1, 2017, China adopts a multi-level protection scheme (MLPS). Network operators are required to, in accordance with the requirements of the MLPS, perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. When data security incidents occur, processors shall immediately notify the persons whose information is collected as required and report the matter to the relevant competent authorities. Network operators are required to collect and use personal information with the consent of the person whose personal information is collected, adopt a legal, proper and open approach, follow necessary principles, and make clear the rules, purpose, manner and scope of use.

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "**Civil Code**") promulgated by the National People's Congress on May 28, 2020 and effective from January 1, 2021, the personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

According to the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) promulgated by the Standing Committee of the National People's Congress on June 10, 2021 and effective from September 1, 2021, the conduct of data handling activities shall not endanger national security or public interests and shall not damage the legitimate rights and interests of individuals and organizations. The conduct of data handling activities shall, in accordance with the provisions of laws and regulations, establish and improve the data security management rules, as well as take appropriate technical measures and other necessary measures to protect data security. Any organization or individual collecting data shall adopt lawful and proper methods and shall not steal data or obtain the data by other illegal means. The conduct of data handling activities using information networks such as the Internet shall perform the above data security protection obligations on the basis of the cybersecurity Multi-Level Protection System.

Pursuant to the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) promulgated by the NPC on August 20, 2021 and effective from November 1, 2021, the circumstances under which the Personal Information Protection Law of the People's Republic of China applies include: (i) activities of processing personal information of natural persons within the territory of the People's Republic of China; (ii) personal information processing activities that occur beyond China for the purpose of providing products or services to natural persons in China, or for the purpose of analyzing or evaluating the behavior of natural persons in China. Among them, personal information refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding information after anonymization. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information.

Pursuant to the Regulations on the Management of Network Information Security (a Consultation Draft for Public Comments) (《網絡數據安全管理條例(徵求意見稿)》) (Consultation Draft) promulgated by the Cyberspace Administration of China on November 14, 2021, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. The Consultation Draft also stipulates that large Internet platform operators who set up headquarters or operation centers and R & D centers abroad shall report to the national Internet Information department and competent departments. In addition, the Consultation Draft also stipulates that data processors need to fulfill relevant obligations, including establishing a data security person in charge, establishing a data security management organization and establishing relevant data processing rules. Up to now, the Consultation Draft for comments has not been formally implemented and come into force.

Pursuant to the Measures for Cyber Security Review (《網絡安全審查辦法》) promulgated by the Cyberspace Administration of China and National Development and Reform Commission on December 28, 2021 and effective from February 15, 2022, operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall report to the cyber security review office for a cyber security review. In addition, an operator who controls more than 1 million users' personal information must report to the cyber security review office for a cyber security review if it intends to be listed in a foreign country.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO FRANCHISED COMMERCIAL OPERATION

Franchised operation is subject to the supervision and administration of the Ministry of Commerce and its local competent commercial departments. These activities are currently regulated by the Regulations on the Administration of Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and implemented from May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) issued by the Ministry of Commerce on April 30, 2007 and most recently amended on December 12, 2011 and effective from February 1, 2012 and the Administrative Measures for the Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》) issued by the Ministry of Commerce on April 30, 2007, and most recently amended on February 23, 2012 and effective from April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance and training services for franchisees, as well as owning at least two direct-sale stores in China with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by the Ministry of Commerce or the local competent department of commerce. The franchise contract shall specify certain necessary provisions concerning terms, the right to terminate and payment.

Franchisers shall submit the business license, draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more municipalities, provinces or autonomous regions, it shall file with the Ministry of Commerce. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by the Ministry of Commerce in accordance with the provisions of the Measures. In addition, franchisers shall file with the commercial department concerning the execution, cancellation, renewal and amendment of franchise agreements before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and an public announcement.

LAWS AND REGULATIONS IN RELATION TO ONLINE SALES

According to the Provisions on the Administration of Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) published by the State Internet Information Office on June 28, 2016 and effective from August 1, 2016, provision of information services through mobile Internet applications shall acquire relevant qualifications in accordance with laws and regulations. Mobile Internet application providers shall not leverage on mobile Internet applications to engage in activities prohibited by laws and regulations, such as endangering national security, disturbing social order, and infringing on the legitimate rights and interests of others, and shall not use mobile Internet applications to produce, copy, publish and spread information content prohibited by laws and regulations.

Pursuant to the Online Trading Supervision and Management Measures (《網絡交易監督管理辦法》) promulgated by the SAMR on March 15, 2021, and effective from May 1, 2021, provisions are made on the information collection and transactions involved in online transactions, including that online trading operators shall follow the principles of legality, propriety and necessity when collecting and using consumers' personal information, specifically notify consumers about the purpose, method and scope of the collection and use of the information and obtain the consumers' consent. Online trading operators who collect and use consumers' personal information should announce their policies on collection and use and should not collect and use the information in breach of laws and regulations and the agreement between the parties. Online trading operators shall fully, truly, accurately and timely disclose commodity or service information to protect consumers' right to know and choose.

Network transaction operators and their staff shall keep the collected personal information strictly confidential and shall not provide the information to any third parties, including related parties, without the authorized consent of the collected person, except for cooperating with regulatory and enforcement activities in accordance with the law.

According to the E-Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) (the "**E-Commerce Law**") promulgated by the SCNPC on August 31, 2018 and effective from January 1, 2019, the natural persons, legal persons and non-legal persons who sell goods or provide services through the Internet and other information networks in China are included as e-commerce operators under the E-Commerce Law. When engaging in operation activities, e-commerce operators shall stick to the principles of voluntariness, equality, fairness and integrity, abide by laws and business ethics to participate in market competition in a fair manner, perform obligations in respect of consumer rights and interests protection, environmental protection, intellectual property protection, network security and personal information protection, assume product and service quality responsibilities, and accept the supervision of the government and society.

Pursuant to the Administrative Measures for Online Live-Streaming Marketing (Trial) promulgated by the Ministry of Public Security, Ministry of Commerce, Ministry of Culture and Tourism, State Administration of Taxation, State Administration of Radio and Television on April 23, 2021, and effective on May 25, 2021, these measures shall apply to commercial marketing activities carried out within the territory of the People's Republic of China in the form of live video broadcast, audio broadcast, graphic broadcast or a combination thereof by means of internet websites, applications, programs, etc. Live-streaming marketing platforms refer to various platforms that provide live-streaming services in online live-streaming marketing, including Internet live-streaming service platforms, Internet audio and video service platforms, and e-commerce platforms, etc. Live-streaming studio operators refer to individuals, legal persons, and other organizations that establish live-streaming studios to engage in online marketing activities by registering accounts on a live-streaming marketing platform or through self-built websites or other network services. Live-streaming marketing personnel refer to individuals that directly engage in marketing to the public in online live-streaming marketing. Service agencies for live-streaming marketing personnel refer to specialized agencies that provide planning, operation, brokerage, training, etc. for live-streaming marketing personnel to engage in online live-streaming marketing activities. Those who engage in online live-streaming marketing activities shall comply with laws and regulations, follow public order and good custom, abide by commercial ethics, adhere to correct orientation, carry forward socialist core values, and create a favorable network ecology.

Live-streaming marketing platform shall, in accordance with relevant laws and regulations and the relevant provisions of the State, formulate and publicize management rules and platform conventions for online live-streaming marketing. Live-streaming marketing platform shall develop a negative catalogue of live-streaming marketing goods and services, specifying the goods and services that are prohibited from production and sales, from online transactions, from commercial promotion and from publicity, or from marketing in the form of live-streaming by laws and regulations. Live-streaming marketing platforms shall establish a dynamic verification mechanism for the identity of live-streaming marketing personnel to verify the identity information of all live-streaming marketing personnel prior to live-streaming, and shall not provide live-streaming release services to those whose identity information is inconsistent with the real identity information or who are prohibited from engaging in online live-streaming release in accordance with relevant provisions of the State.

Operators of live studios and live-streaming marketing personnel engaging in online live-streaming marketing activities shall comply with laws, regulations and the relevant provisions of the State, follow public order and good customs, and truthfully, accurately and comprehensively release information on goods or services, and shall not commit any of the following acts:

(I) violating Articles 6 and 7 of the Provisions on the Ecological Governance of Network Information Contents;

(II) publicizing false or misleading information to cheat or mislead users;

(III) marketing counterfeit or shoddy goods or goods that infringe upon intellectual property rights, or goods that fail to meet the requirements for personal and property safety;

(IV) fabricating or tampering with data traffic such as transactions, attention, number of views, number of comments, etc.;

(V) still making promotion or diversion for a person even where the existence of any illegal or irregular act or act with high risk committed by the person is known or should have been known;

(VI) harassing, slandering, vilifying or intimidating others, or infringing upon the legitimate rights and interests of others;

(VII) pyramid marketing, fraud, gambling, or selling prohibited or controlled goods, etc.; and

(VIII) other acts in violation of the laws, regulations and relevant provisions of the State.

Live-streaming marketing personnel shall not engage in online live-streaming marketing activities at places that involve national security, public security, or affect the normal production and life order of others and the society.

Operators of live-streaming studios and live-streaming marketing personnel shall perform their responsibilities and obligations of protecting consumers' rights and interests in accordance with laws and regulations, and shall not deliberately delay or refuse without justifiable reasons the legitimate and reasonable requests put forward by consumers.

Given that the Group conducts online live-streaming marketing mainly for the purpose of displaying and selling fresh fruits, dried fruits, vegetables and other fresh groceries, the aforementioned regulations will not have material adverse impacts on the Group's business.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO COMMODITY DISTRIBUTION

Anti-Unfair Competition Law

According to the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC in 1993, amended on April 23, 2019 and effective from the same date, due diligence business operators who conduct improper market activities to damage the interests of competitors, including forging or passing off the trademarks, names and logos of others, infringing the business secrets of others, conducting false or misleading publicity through advertising or other means, bribing, infringing the goodwill of competitors or the reputation of their products, which are in violation of the Anti-Unfair Competition Law, may result in imposition of fines, confiscation of gains derived from such violation, and in severe circumstances, revocation of business licenses.

Price Law

According to the Price Law of the People's Republic of China (《中華人民共和國價格法》) promulgated by the SCNPC in 1997 and effective on May 1, 1998, business operators are prohibited from engaging in unfair pricing activities, including manipulating market prices, dumping commodities at a price lower than cost, manipulation of prices, deception of consumers or other business operators by using false or misleading prices, and price discrimination. If a business operator violates the Price Law, he/she shall be subject to administrative penalties, such as warning, cessation of illegal activities, confiscation of illegal gains and fines, and the business operator may be ordered to suspend business for rectification or the business license may be revoked in severe circumstances.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO FACTORING

According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) (the "Civil Code") promulgated by the National People's Congress on May 28, 2020 and effective from January 1, 2022, A factoring contract shall mean a contract whereby a creditor of receivables assigns its existing receivables or receivables to exist to the factor, and the factor provides services such as financing, receivables management or collection, payment guarantee by debtors of receivables, etc. The contents of a factoring contract shall generally include clauses such as type of business, scope of services, term of services, information on basic transaction contract, receivables information, financing funds under factoring or service remuneration, and payment method thereof. Upon receipt of a notice of assignment of receivables by the debtor, where the creditor of the receivables and the debtor negotiate on amendment to or termination of the underlying transaction contract without a proper reason, which has an adverse impact on the factor, such amendment or termination shall not be binding on the factor. Where the parties agree on factoring with recourse, the factor may claim against the creditor of receivables on refund of principal and interest of the factoring financing monies or redemption of creditor's rights on receivables, or claim against the debtor of receivables on creditor's rights on receivables. Where the factor claims creditor's rights over receivables against the debtor of receivables, and there is a balance after deduction of the principal and interest of the factoring financing monies and the relevant expenses, the balance shall be refunded to the creditor of receivables. Where the parties have agreed on factoring without recourse, the factor shall claim creditor's rights on receivables against the debtor of receivables, and the factor is not required to return the excess amount over the principal and interest of the factoring financing monies and the relevant fees obtained to the creditors of receivables. Where a creditor of receivables concludes several factoring contracts for the same receivables, causing multiple factors to claim their rights, registered receivables shall be obtained prior to unregistered receivables; registered receivables shall be obtained in the chronological order of registration date; unregistered receivables shall be obtained by the factor stated in the notice of assignment from the debtor of the receivables who first reaches the debtor of the receivables; where registered receivables are neither registered nor notified, the receivables shall be obtained in proportion of factoring financing funds or service remuneration.

According to the Notice of the General Office of the CBIRC on Strengthening Supervision and Administration of Commercial Factoring Enterprises (《中國銀保監會辦公廳關於加強商業保理企業監督管理的通知》) (No. 205) promulgated by China Banking and Insurance Regulatory Commission on October 18, 2019 and most recently amended on June 21, 2021 and came into effect from the same date, commercial factoring enterprise should, during its business operation, comply with the relevant provisions of the Civil Code and related laws and regulations. Commercial factoring business refers to the following services provided by a commercial factoring enterprise to a supplier which transfers its accounts receivable based on real transactions to the commercial factoring enterprise: 1. Factoring financing; 2. Management of separate (classified) accounts for sales activities; 3. Collection of receivables; and 4. Guarantee for non-commercial bad debts; A commercial factoring enterprise should mainly engage in commercial factoring business and may also engage in investigation and evaluation of client credit, and the advisory services relating to commercial factoring. A commercial factoring enterprise may not engage in any of the following activities or businesses: 1. Take in, directly or in a disguised form, public deposits; 2. Raise capital through Internet lending information intermediaries, local trading venues, asset management agencies, private investment funds and other institutions; 3. Make inter-bank lending, directly or in a disguised form with other commercial factoring enterprises; 4. Grant loans directly or in a disguised form; 5. Specialize in or is entrusted to carry out debt collection services irrelevant to commercial factoring; 6. Carry out factoring financing business on the basis of, among other things, illegitimate underlying transaction contracts, consignment contracts, accounts receivable with unclear title, and rights to request payment under notes or other negotiable securities; or 7. Other activities as prohibited by the State. Commercial factoring enterprises may raise funds from banks and non-banking financial institutions regulated by the CBIRC and may also raise funds through channels such as shareholder loans, issuance of bonds and re-factoring.

Commercial factoring enterprises should actively transform business model, gradually increase the proportion of standard factoring, and benefit more small and medium-sized enterprises in the upstream and downstream supply chain; and give priority to support upstream and downstream small and medium-sized enterprises in the industry chain which comply with the direction of State industry policies, whose principal activities are concentrated in the real economy, which are technologically advanced and competitive, to support development of the real economy and small and medium-sized enterprises.

A commercial factoring enterprise should comply with the following regulatory requirements: 1. receivables transferred from the same debtor should not exceed 50% of its total amount of risk assets; and 2. receivables transferred where the affiliated enterprise is the debtor should not exceed 40% of its total amount of risk assets; classify unrecovered or unrealized factoring financing funds which are 90 days overdue as non-performing assets; the risk provision accrued should not be less than 1% of the closing balance of the financing factoring business; and risk assets should not exceed 10 times of its net assets.

Based on the interview conducted by our PRC Legal Advisor with the Shenzhen Municipal Local Financial Regulatory Bureau on January 26, 2022, if the business scope contains factoring business (non-bank financing), the company is allowed to carry out factoring business. Shenzhen Yitong's current licenced business scope includes factoring business (non-bank financing), bill information data processing, the development of bill quotation trading software system, system application management and maintenance services related to bill business (for those requiring examination and approval in accordance with laws, administrative regulations and decisions of the State Council, the operation shall not be conducted until relevant examination and approval documents are obtained according to law). Based on the business license, it is qualified to conduct factoring business in China. According to the interview participated by us and our PRC Legal Advisor with the Shenzhen Municipal Local Financial Regulatory Bureau on June 15, 2022, Shenzhen Yitong has obtained all requisite qualification to conduct the factoring business without further qualifications, and subject to compliance with appropriate indicators governed by the No.205, the carrying out by us of our commercial factoring business is in compliance with applicable laws and regulation.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO ENVIRONMENTAL PROTECTION

Environmental Impact Assessment and Completion Acceptance

According to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, most recently amended on December 29, 2018 and effective from the same date, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and effective on October 1, 2017, and the Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Environmental Protection on November 20, 2017 and effective from the same date, the State implements classified management on the environmental impact assessment of construction projects in accordance with the degree of impact of construction projects on the environment. Construction units shall organize the preparation of environmental impact report, environmental impact report form or filling in environmental impact registration form in accordance with the degree of impact of construction projects on the environment. The construction unit is the major entity responsible for the environmental protection acceptance of the completed construction project, to organize the acceptance of the supporting environmental protection facilities, prepare the acceptance report, disclose relevant information, accept social supervision, and ensure that the supporting environmental protection facilities and the main part of the construction project are put into operation or use at the same time.

Pollutant Discharge Permit

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) promulgated by the SCNPC on September 13, 1979, most recently amended on April 24, 2014 and effective on January 1, 2015, and the Administrative Measures for Pollutant Discharge Permit (Trial) (《排污許可管理辦法(試行)》) promulgated by the Ministry of Ecology and Environment and effective on August 22, 2019, the State implements a pollutant discharge permit management system in accordance with the provisions of laws, and enterprise units and other production operators (hereinafter referred to as pollutant discharge entities) that are included in the classification management catalogue of pollutant discharge permits for stationary pollution sources shall apply for and obtain a pollutant discharge permit in accordance with the provisions, and the pollutant discharge entities that are not included in the scope are not required to apply for a pollutant discharge permit for the time being.

According to the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and effective from the same date, the State implements key management, simplified management and registration management of pollutant discharge permits based on factors such as the amount of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. The pollutant discharge unit that implements registration management is not required to apply for a pollutant discharge license, but shall fill in the pollutant discharge registration form on the national pollutant discharge license management information platform.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO FIRE PREVENTION

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and effective on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, special construction projects that have not passed the fire prevention inspection or the fire prevention inspection are prohibited from putting into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be stopped.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO INTELLECTUAL PROPERTY

Trademark Law

As required by the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by SCNPC on August 23, 1982, most recently amended on April 23, 2019 and effective from November 1, 2019, and Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, most recently amended on April 29, 2014 and effective from May 1, 2014, the valid period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the period of validity, an application for renewal of the registration shall be made within twelve months before the said expiration. Where no application therefor has been filed within the said period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark shall be canceled. The period of validity of each renewal of registration shall be ten years. Any renewal of registration shall be published after it has been approved.

Any trademark registrant may, by signing a trademark license contract, authorize other persons to use his registered trademark. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall guarantee the quality of the goods in respect of which the registered trademark is used.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark. When a dispute arises after a party commits any of the acts infringing upon another party's exclusive right to use a registered trademark as enumerated in the Trademark Law of the People's Republic of China, the parties involved shall settle the dispute through consultation. Where the parties refuse to pursue consultation or where consultation has failed, the trademark registrant or any interested party may institute legal proceedings with the People's Court or ask the administrative authorities for industry and commerce to handle the matter upon determining that trademark infringement has taken place.

Patent Law

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984 and most recently amended on October 17, 2020 and effective from June 1, 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which was promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on January 9, 2010 and effective from February 1, 2020, provide for three types of patents, "invention", "utility model" and "design", "invention" refers to any new technical solution in relation to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective from June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system and laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests.

According to the measures for the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended by the National Copyright Administration on February 20, 2002 and effective from the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective from March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will issued a registration certificate by the China Copyright Protection Center.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網絡域名管理辦法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective from November 1, 2017, the Ministry of Industry and Information Technology supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

LAWS AND REGULATIONS IN THE PRC IN RELATION TO LABOR AND SOCIAL INSURANCE

Regulations in Relation to Labor

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and most recently amended on December 29, 2018 and effective from the same date, and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, effective from January 1, 2008 and amended on December 28, 2012, effective from July 1, 2013 and the Regulations on Implementation of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and effective from the same date, labor relations between employers and employees must be established in writing. Remuneration shall not be lower than the local minimum wage standard. Enterprises and institutions must establish and improve the safety and health system of workplace in China, strictly abide by national rules and standards on workplace safety, and carry out safety and health education for employees in the workplace. The safety and health facilities in the workplace shall meet the national standards. Enterprises and institutions must provide workers with a safe and healthy environment in the workplace in compliance with national regulations and relevant labor protection rules.

Social Insurance and Housing Provident Fund

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, most recently amended on December 29, 2018 and effective from the same date, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and most recently amended on March 24, 2019 and effective from the same date, the Regulations on Work Injury Insurance (《工傷保險條例》) promulgated by the State Council on April 27, 2003, and amended on December 20, 2010 and effective from January 1, 2011, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated by the State Council on January 22, 1999 and effective from the same date, and the Trial Measures on Maternity Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) promulgated by the Ministry of Labor and Social Security (merged with the Ministry of Human Resources in March 2008 into the Ministry of Human Resources and Social Security) on December 14, 1994 and effective from January 1, 1995, enterprises in China shall provide their employees with welfare plans including basic pension insurance, unemployment insurance, maternity insurance, work-related injuries insurance and basic medical insurance. Employers must register social insurance with local social insurance registration authorities, provide social insurance, and pay or withhold relevant social insurance expenses the employees. Where employers fail to register social insurance, orders for corrections within a specified time period will be made by social insurance administrative departments; in case of overdue default, a fine of more than one time but less than three times the amount of social insurance premiums will be imposed, and a fine of more than RMB500 but less than RMB3,000 will be imposed upon persons in charge and other directly responsible persons. Where employers fail to pay the social insurance premium in full and on time, orders for payment or makeup within a specified time period from social insurance premium collection institutions will be made and an overdue fine of 0.05% per day will be imposed from the date of failure to pay. In case of overdue default, a fine of more than one time but less than three times the unpaid amount will be imposed.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and most recently amended on March 24, 2019 and effective from the same date, employers shall register for payment the housing provident fund with the housing provident fund administration center, and establish housing provident fund accounts for their employees at the entrusted banks after affirmation and registration by the housing provident fund administration center. Employers shall transfer the payable amount by employers and the payable amount by employees to the specific account of housing provident fund within five days from the date of monthly payment of employees' wages, and the above-mentioned funds will be deposited in employees' housing provident fund account by the entrusted bank. In case of overdue payment or underpayment by employers, orders for payment within a specified time period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied.

LAWS AND REGULATIONS IN THE PEOPLE'S REPUBLIC OF CHINA IN RELATION TO TAX

Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the National People's Congress on March 16, 2007, and most recently amended on December 29, 2018 and effective from the same date and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on April 23, 2019 and effective from the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with law, or which are set up in accordance with the law of a foreign country (region) but which are actually under the administration of institutions in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or which have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced by 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% tax rate reduction for Enterprise Income Tax.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council on December 13, 1993 and most recently amended on November 19, 2017 effective from the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值税暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and most recently amended on October 28, 2011, and effective from November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax ("**VAT**"). Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Caishui [2016] No. 36) (《關於全面推開營業税改徵增值税試點的通知》(財税[2016]第36號)》) promulgated by the Ministry of Finance and the State Administration of Taxation promulgated on March 23, 2016 and effective from May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37(《關於簡併增值税税率有關政策的通知》(財税[2017]37號)), announced by the Ministry of Finance and the State Administration of Taxation on April 28, 2017, and effective from July 1, 2017, the structure of value-added tax (VAT) rates will be simplified from July 1, 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 of Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 32) (《財政部、税務總局關於調整增值税税率的通知》(財税[2018]32號)) announced by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and effective May 1, 2018, from May 1, 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 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs (《財政部、税務總局、海關總署關於深化增值税改革有關政策的公告》) ("Announcement of the Ministry of Finance of the PRC, the State Taxation Administration and the General Administration of Customs of the PRC [2019] No. 39") announced by the Ministry of Finance, the State Taxation Administration, and the General Administration of Customs on March 20, 2019 and effective from April 1, 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%.

LAWS AND REGULATIONS IN CHINA IN RELATION TO FOREIGN EXCHANGE

Pursuant to the Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and effective from April 1, 1996, and most recently amended on August 5, 2008 and effective from the same date, and relevant regulations, there is no restriction on the recurring international payment and transfer, and the foreign exchange income and expenses of recurring items (such as goods trade, income and expenses of service trade and payments of interest and dividends) should be on true and legal transactions basis, and can be directly undertaken at the bank with true and valid transaction documents.

Foreign exchange income and expenses of capital items (such as direct equity investment and loans) shall comply with the provisions of relevant laws and regulations, and where approval or registration by relevant regulation from foreign exchange administration authorities is required, such approval or registration shall be filed. Foreign exchange and settlement funds of capital items shall be used for purposes as stipulated by relevant competent departments and foreign exchange administration authorities.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Administration Policies of Foreign Exchange Settlement of Capital Items (《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》) promulgated by the State Administration of Foreign Exchange on June 9, 2016 and effective from the same date, the foreign exchange income (including foreign exchange capital, foreign debt capital and the remitted fund from overseas listing) of capital items that has explicitly implemented foreign exchange settlement intentions in compliance with relevant policies, can be settled at banks given the actual operation needs of domestic institutions. The interim proportion of the intended settlement of foreign exchange income from capital items of domestic institutions is determined at 100%. The above proportion may be adjusted by the State Administration of Foreign Exchange on basis of the income and expenses positions in due course.

According to the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) promulgated by the State Administration of Foreign Exchange on October 23, 2019 and effective from the same date, permitted business scope shall not include the settlement of foreign exchange capital into RMB and the domestic equity investment with the RMB fund in line with law, which were carried out by foreign-invested enterprises engaged in investment business without violating the current Special Administrative Measures (Negative List) for Foreign Investment Access (《外商投資准入特別管理措施(負面清單)》) and with investment projects in China on true and compliance basis.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Management Service in Support of Foreign Business Development (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) promulgated by the State Administration of Foreign Exchange on April 10, 2020 and effective from June 1, 2020, on the premise of ensuring the authentic and compliant use of funds and complying with the existing regulations on the use of capital income, eligible enterprises are allowed to use capital income such as capital funds, foreign debts and proceeds from overseas listing for domestic payments without providing materials to the bank in advance for authenticity verification on a case-by-case basis. The concerned banks shall follow the principle of prudent development to control the relevant business risks and conduct post inspection on the use of funds under capital accounts handled in accordance with relevant requirements.

REGULATIONS RELATING TO THE H SHARE "FULL CIRCULATION"

According to 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》(中國證券監督管理委員會公告[2019]22號)) ("Guidelines for the 'Full Circulation'"), promulgated by the CSRC on November 14, 2019 and effective from the same date, 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". After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China.

According to the Measures for Implementation of H-share "Full Circulation" Business (《H股「全流通」業務實施細則》) ("**Measures for Implementation**") promulgated by the China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange on December 31, 2019 and effective from the same date, 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.

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 cancellation of part or all of the domestic unlisted shares, and shall re-register the fully circulated H-share which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. 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, cross-border clearing and settlement and other businesses involved in the "full circulation" of H-share, 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. Investors may submit trading instructions of H-share "full circulation" shares through domestic securities companies. Domestic securities companies shall select a Hong Kong Securities Company to submit trading instructions of investors 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.

ABOUT US

We own a number of well-known channel brands and fruit product brands and operate a nationwide community-based fruit specialty retail network with OMO and store-as-warehouse features in China. We primarily sell fruits, and also sell fruit-based products such as dried fruits and juice. We are a leading franchisor in the fruit franchise business with an extensive and well-managed nationwide offline retail store network. As of the Latest Practicable Date, our offline store network had a total of 5,613 stores located in over 140 cities in 22 provinces and municipalities across China. In addition, we operate our online channels and offer convenient online shopping services through our mobile APPs, WeChat Mini-program, storefronts on mainstream e-commerce platforms such as Tmall and JD.com, as well as on popular social commerce platforms such as Douyin. We also partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me, which provide instant delivery fleets to fulfill the online orders. According to Frost & Sullivan, we ranked first among all retailers that sell fruits in China in terms of fruit retail sales value in 2021, accounting for 1.0% of total market share in China where the top five participants accounted for an aggregate of 3.6% market share in total. We also ranked first among all fruit specialty retail enterprises in China in terms of fruit retail sales value.

MILESTONES

The following events are the key business milestones of our Group since its establishment:

Year	Events
2001	• Our Company was established in Shenzhen, China
2002	• First "Pagoda (百果園)" store was opened in Shenzhen, China
2008	• We launched "Online Pagoda" (網上百果園), further expanding online sales channels
2009	• We launched "Instant Refund" ("三無"退貨) service standards
2013	• We established and launched the flavor-oriented fruit quality classification system, which is a first of its kind in China
2016	• We launched our mobile app "Pagoda (百果園)", initiating a new fruit e-commerce business model
	• "Pagoda (百果園)" was recognized as a China Well-Known Trademark (中國馳名商標) by National General Administration for Industry and Commerce (國家工商行政管理總局)
2017	• We launched an online procurement platform, a transaction platform aimed for specializing for suppliers of the fruit industry
	• We acquired "Guo Duo Mei (果多美)" trademark, achieving multichannel brands operation

Year	Events
2019	• We launched Pagoda quality fresh food strategy (百果園大生鮮戰略), announcing our entry into the fresh market, to expand our business to fresh retail
2020	• We launched "Panda.F (熊貓大鮮)" as the brand name for our Company's other fresh groceries
2021	• We were awarded the National Leading Company of Agricultural Industrialization jointly by The Ministry of Agriculture and Rural Affairs (農業農村部), NDRC and MOFCOM, PBOC, State Taxation Administration (國家稅務總局), CSRC and All China Federation of Supply and Marketing Cooperatives (中華全國供銷合作總社)
2022	• We were accredited with internationally recognized ISO 22000:2018 certification and became a SGS-certified company for fruit trading, preliminary processing, packaging, storage, etc., which demonstrates our Company's dedication to food safety

CORPORATE DEVELOPMENT OF OUR COMPANY

A. Establishment of Our Company

Our Company was established as a limited liability company in the PRC on December 3, 2001 by Mr. Yu and six other individuals, namely, Mr. Tian Xiqiu (田錫秋), Mr. Huang Chuangru (黃創如), Mr. Tian Xihuai (田錫懷), Mr. Huang Weixiong (黃偉雄), Ms. Li Qin (李琴) and Mr. Jiang Xiyong (姜錫勇). At the time of establishment, our Company had an initial registered capital of RMB2,000,000, details of which are as follows:

Shareholder(s)	Registered capital contributed	Shareholding
	(RMB)	
1. Mr. Yu	400,000	20%
2. Mr. Tian Xiqiu	400,000	20%
3. Mr. Huang Chuangru	400,000	20%
4. Mr. Tian Xihuai	200,000	10%
5. Mr. Huang Weixiong	200,000	10%
6. Ms. Li Qin	200,000	10%
7. Mr. Jiang Xiyong	200,000	10%
TOTAL	**2,000,000**	**100%**

Mr. Yu and Mr. Tian Xiqiu became acquainted with one another through their business dealings. Mr. Jiang Xiyong is Mr. Yu's uncle. Mr. Huang Chuangru is Mr. Tian Xiqiu's brother-in-law. Mr. Tian Xihuai is Mr. Tian Xiqiu's brother. Mr. Huang Weixiong and Ms. Li Qin are independent third parties.

B. Earlier Changes in Shareholding Structure of Our Company

Since its establishment and prior to the Track Record Period, the registered capital of our Company increased to RMB21,900,717. During the same period, there were also a few rounds of share transfers in relation to the equities of our Company.

(a) Earlier Capital Increases

The table below summarizes the capital increases of our Company subsequent to its establishment and prior to the commencement of the Track Record Period:

	Date of Agreement	Subscriber	Registered capital subscribed	Consideration
	(Year.Month.Date)		*(RMB)*	*(RMB)*
1.	2004.04.04	Mr. Yu	500,000	500,000
		Mr. Tian Xiqiu	500,000	500,000
2.	2006.11.13	Mr. Yu	800,000	800,000
		Mr. Tian Xiqiu	1,200,000	1,200,000
		Mr. Huang Chuangru	200,000	200,000
		Mr. Tian Xihuai	400,000	400,000
		Mr. Huang Weixiong	400,000	400,000
3.	2008.03.28	Mr. Yu	7,500,000(1)	7,500,000(1)
4.	2015.04.10	Tiantu Xingsu*	1,350,000	200,000,000
5.	2015.12.19	Mr. Cai Jintao (才金濤)*	214,952	31,844,776
		Mirun Investment	185,627	27,500,229
6.	2015.12.25	Hengyili Investment(2)	809,767	809,767
7.	2015.12.28	Qianhai Equity*	134,993	20,000,000
8.	2016.02.02	Tiantu Capital	340,102	63,000,000
		Ms. Wen Liyuan (文利元)	64,781	12,000,000
9.	2016.11.03	Tiantu Capital	175,712	58,000,000
10.	2016.12.26	Hengyili Investment	951,971	52,631,525
		Heshun Liru(3)	683,525	37,790,000
		Huizhi Zhongxiang(4)	627,996	34,720,000
11.	2017.05.15	Zhuopu*	70,739	25,300,000
		Mr. Cai Jintao*	27,960	10,000,000
		Mr. Zhang Yungen (張雲根)*	112,762	40,330,000
12.	2018.02.08	CICC Haoze*	452,962	200,000,000
		Suzhou Yuanhan*	181,185	80,000,000
13.	2018.02.13	Lingyu Jishi*	271,777	120,000,000
14.	2018.02.23	Henan Zhanxin*	362,370	160,000,000
15.	2018.03.12	Guangzhou Yuexiu*	72,474	32,000,000
		Mingrui No. 8*	244,600	108,000,000

Date of Agreement	Subscriber	Registered capital subscribed	Consideration
(Year.Month.Date)		*(RMB)*	*(RMB)*
16. 2018.04.26	CM Fund*	339,722	150,000,000
	SFTZ III*	339,722	150,000,000
	Xinyu Unicorn*	339,722	150,000,000
17. 2018.05.18	Shenzhen Capital*	7,549	3,333,333
	Hongtu Equity*	18,874	8,333,333
	Hongtu Heding	11,324	5,000,000
	Yitang Hongtu*	7,549	3,333,333
	Total	**19,900,717**	

* *Denotes the* [**REDACTED**] *Investor(s) of our Company, further details of which are set out in the paragraph headed "*[**REDACTED**] *Investments" of this section.*

Notes:

(1) Comprising (a) the registered capital of RMB7,107,353 subscribed by Mr. Yu of for his own benefits, (b) the registered capital of RMB311,647 subscribed by Mr. Yu (as trustee) on behalf of Mr. Tian Xiqiu (as beneficiary), (c) the registered capital of RMB40,500 subscribed by Mr. Yu (as trustee) on behalf of Mr. Tian Jianzhang (田建樟) (as beneficiary) and (d) the registered capital of RMB40,500 subscribed by Mr. Yu (as trustee) on behalf of Mr. Lin Zhiquan (林智權) (as beneficiary). The aforementioned trust arrangements were made for the purpose of simplifying relevant corporate filings and registration and were subsequently terminated in 2015. Please refer to notes (5) and (9) in paragraph headed "— (b) Earlier Equity Transfers" below.

(2) Hengyili Investment is a PRC-based limited partnership and one of our employee shareholdings platforms. As of the Latest Practicable Date, Hengyili Investment was controlled by its general partner, Mr. Yu, and was owned as to 1% by Mr. Yu, 39% by Ms. Xu, 30% by Mr. Yuan Feng (袁峰), 20% by Mr. Xiao Xiaoming (肖曉明) and 10% by Mr. Zou Feng (鄒峰) (a supervisor of our Company). Mr. Yuan Feng and Mr. Xiao Xiaoming are employees of our Company and independent third parties.

(3) Heshun Liru is a PRC-based limited partnership and one of our employee shareholding platforms. As of the Latest Practicable Date, Heshun Liru was controlled by its general partner, Mr. Jiao Yue (executive Director and executive deputy general manager of our Company), and was owned as to more than 99.99% by Mr. Jiao Yue and less than 0.01% by a key employee of our Company who is an independent third party.

(4) Huizhi Zhongxiang is a PRC-based limited partnership and one of our employee shareholding platforms. As of the Latest Practicable Date, Huizhi Zhongxiang was controlled by its executive general partner, Mr. Yu, and was owned as to 0.0003% by Mr. Yu, 85.8868% by Mr. Jiao Yue, 1.4689% by Mr. Su Yan (a Supervisor of our Company) and 12.6440% by other four key employees of our Group who are independent third parties.

(5) All considerations were fully settled as of June 11, 2018.

(b) *Earlier Equity Transfers*

The table below summarizes the equity transfers by the Shareholders of our Company, since its establishment of our Company and up to the commencement of the Track Record Period:

Date of Agreement	Transferor	Transferee	Registered capital transferred	Consideration
(Year.Month.Date)			*(RMB)*	*(RMB)*
1. 2003.06.30 . .	Ms. Li Qin	Mr. Yu	200,000	200,000
	Mr. Jiang Xiyong	Mr. Yu	200,000	200,000
2. 2008.07.11 . .	Mr. Tian Xiqiu	Mr. Su Meisong (蘇鎂松)	810,000[(1)]	810,000[(1)]
		Mr. Zheng Zhijian (鄭志鍵)	615,000	615,000
		Mr. Huang Chuangru	600,000	600,000
		Mr. Huang Weixiong	75,000	75,000
3. 2008.07.11 . .	Mr. Yu	Mr. Liu Xiaobing (劉小兵)[(2)]	1,350,000	1,350,000
		Mr. Huang Chuangru	15,000	15,000
4. 2008.07.11 . .	Mr. Tian Xihuai	Mr. Zheng Zhijian	600,000	600,000
5. 2015.03.30 . .	Mr. Huang Chuangru	Ms. Liu Hanwa (劉韓娃)	810,000	Nil[(3)]
6. 2015.03.30 . .	Mr. Liu Xiaobing	Ms. Liu Hanwa	270,000	Nil[(3)]
7. 2015.03.30 . .	Mr. Zheng Zhijian	Ms. Liu Hanwa	810,000	Nil[(3)]
8. 2015.03.30 . .	Mr. Huang Weixiong	Mr. Tian Xiqiu	405,000	Nil[(4)]
9. 2015.03.30 . .	Mr. Su Meisong	Mr. Tian Xiqiu	675,000	Nil[(5)]
10. 2015.04.03 . .	Ms. Liu Hanwa	Renhua Dongsheng[(6)]	1,890,000	Nil[(3)]
11. 2015.04.22 . .	Mr. Yu	Hongyuan Shanguo	1,894,401	Nil[(7)]
		Mr. Li Hongwei (李宏偉)	297,000	Nil[(8)]
		Mr. Chen Dezhong (陳德忠)	44,996	Nil[(8)]
		Mr. Tian Xiqiu	311,647	Nil[(5)]
12. 2015.05.11 . .	Mr. Yu	Qianhai Huxing	81,000	Nil[(9)]
13. 2015.04.10 . .	Renhua Dongsheng	Tiantu Xingsu*	1,012,500	150,000,000
		Guangfa Xinde	199,462	29,550,000
		Zhuhai Kangyuan	3,038	450,000
		Zhuhai Qianheng	135,000	20,000,000
14. 2015.07.29 . .	Tiantu Xingsu*	Tiantu Xingbei*	1,350,000	1[(10)]

Date of Agreement	Transferor	Transferee	Registered capital transferred	Consideration
(Year.Month.Date)			*(RMB)*	*(RMB)*
15. 2015.12.04 . .	Mr. Tian Xiqiu	Hengwang	1,391,647	Nil(11)
16. 2016.03.31. .	Mr. Liu Xiaobing	Mirun Investment	1,080,000	175,659,300
17. 2016.11.08. .	Renhua Dongsheng	Bole No. 1*	219,027	78,336,000
		Baima No. 4*	26,841	9,600,000
18. 2016.12.30. .	Renhua Dongsheng	Mr. Wu Xianfeng (吳先鋒)*	58,716	21,000,000
19. 2017.01.09. .	Renhua Dongsheng	Mr. Liu Yunhua (劉運華)*	27,960	10,000,000
20. 2017.01.23. .	Renhua Dongsheng	Bole No. 1*	116,224	41,568,000
21. 2017.02.27. .	Hengwang	Tiantu Tiantou*	193,856	56,000,000
22. 2017.06.14. .	Renhua Dongsheng	Bole No. 1*	57,307	20,496,000
23. 2017.07.15. .	Mirun Investment	Mr. Liu Gang (劉剛)*	191,102	68,350,000
24. 2018.02.08. .	Mirun Investment	CICC Haoze*	256,679	100,000,000
		Suzhou Yuanhan*	51,336	20,000,000
25. 2018.02.13. .	Mirun Investment	Lingyu Jishi*	77,004	30,000,000
26. 2018.02.23. .	Mirun Investment	Henan Zhanxin*	102,671	40,000,000
27. 2018.03.12. .	Mirun Investment	Guangzhou Yuexiu*	20,534	8,000,000
		Mingrui No. 8*	69,303	27,000,000
28. 2018.04.26. .	Mirun Investment	CM Fund*	356,498	150,000,000
29. 2018.04.26. .	Hengwang	Xinyu Unicorn*	356,498	150,000,000
30. 2018.05.18. .	Hengwang	Shenzhen Capital*	39,128	16,666,667
		Hongtu Equity*	21,216	9,036,869
31. 2018.05.18. .	Mirun Investment	Hongtu Equity*	42,680	18,179,280
		Hongtu Heding	58,692	25,000,000
		Yitang Hongtu*	39,128	16,666,667
32. 2018.05.18. .	Renhua Dongsheng	Hongtu Equity*	33,925	14,450,518
33. 2018.05.30. .	Hengwang	Zhichun Equity*	417,658	180,073,000
34. 2018.06.01. .	Hengwang	Mr. Wu Xianfeng*	46,388	20,000,000
		Xinyu Shuoguo*	38,641	16,660,000
35. 2018.06.21. .	Hengwang	Kunxin Xiangyi*	235,725	100,000,000

* *Denotes the* [**REDACTED**] *Investor(s) of our Company, further details of which are set out in the paragraph headed "*[**REDACTED**] *Investments" of this section.*

Notes:

(1) Comprising (a) the registered capital of RMB135,000 subscribed by Mr. Su Meisong for his own benefits, and (b) the registered capital of RMB675,000 subscribed by Mr. Su Meisong (as trustee) on behalf of Mr. Tian Xiqiu (as beneficiary) as Mr. Tianxiqiu was often out of town for business travels and Mr. Tianxiqiu would like Mr. Su Meisong, a long time acquittance of Mr. Tian Xiqiu, to hold his equity interests in our Company and handle relevant matters as shareholders of our Company on his behalf.

(2) Mr. Liu Xiaobing was a director of our Company from July 2008 to August 2015. In July 2008, as Mr. Liu Xiaobing was optimistic about our Company's development prospects, he acquired the equity interests in our Company from Mr. Yu.

(3) In August 2009, Mr. Huang Chuangru, Mr. Liu Xiaobing and Mr. Zheng Zhijian transferred (a) an aggregate of the registered capital of RMB1,795,500 to Ms. Liu Hanwa and (b) an aggregate of the registered capital of RMB94,500 to Ms. Guo Shaofeng (郭少鳳) on a 95:5 basis and such registered capital of our Company was held by Mr. Huang Chuangru, Mr. Liu Xiaobing and Mr. Zheng Zhijian (as trustees) on behalf of Ms. Liu Hanwa and Ms. Guo Shaofeng (as beneficiaries), respectively, as relevant corporate filings and registration were not made at that time. The aforementioned trust arrangements were subsequently terminated in March 2015 when Mr. Huang Chuangru, Mr. Liu Xiaobing and Mr. Zheng Zhijian transferred the registered capital of RMB1,890,000 of our Company to Ms. Liu Hanwa, comprising (a) the registered capital of RBM1,795,500 to Ms. Liu Hanwa for her own benefits and (b) the registered capital of RMB94,500 held by Ms. Liu Hanwa (as trustee) on behalf of Ms. Guo Shaofeng (as beneficiary) as relevant corporate filings and registration were not made back then. The trust arrangement between Ms. Liu Hanwa and Ms. Guo Shaofeng was subsequently terminated in April 2015 when Ms. Liu Hanwa transferred the registered capital of RMB1,890,000 to Renhua Dongsheng which was held as to 95% and 5% by Ms. Liu Hanwa and Ms. Guo Shaofeng, respectively. Please also see note (6) below.

(4) In June 2010, Mr. Huang Weixiong transferred the registered capital of RMB405,000 of our Company to Mr. Tian Xiqiu and hold such equity interests on behalf of Mr. Tian Xiqiu as relevant corporate filings and registration were not made at that time. The aforementioned trust arrangement was subsequently terminated in March 2015 when Mr. Huang Weixiong transferred such equity interests to Mr. Tian Xiqiu and no consideration was paid as such equity transfer represented the termination of the trust arrangement between Mr. Huang Weixiong and Mr. Tian Xiqiu.

(5) No consideration was paid as the relevant equity transfer represented the termination of relevant trust arrangement between the relevant parties. Please refer to note (1) above and note (1) to the paragraph headed "— (a) Earlier Capital Increase" above.

(6) Renhua Dongsheng Investment Management Center Limited Partnership* (樟樹市仁華東昇投資管理中心(有限合夥)) ("**Renhua Dongsheng**") is a PRC-based limited partnership formed jointly by Ms. Liu Hanwa and Ms. Guo Shaofeng to hold their equity interests in our Company. Ms. Liu Hanwa and Ms. Guo Shaofeng are independent third parties.

(7) In December 2008, to reward the continuous dedication of certain employees to our Company's development and as part of our Company's employee incentive plan, Mr. Yu transferred an aggregate of the registered capital of RMB1,880,000 of our Company to Ms. Xu Yanlin (then administrative manager of our Company), Mr. Zhu Qidong (朱啟東) (then procurement manager of our Company), Ms. Wang Yao (王瑤) (then assistant to chairman of our Company), Ms. Liang Zhongui (梁仲桂) (then co-finance manager of our Company), Ms. Shi Xiaosha (史筱莎) (then co-finance manager of our Company), Mr. Cheng Qing (程青) (then project manager of our Company) and Mr. Yang Xiaohu (楊曉虎) (then operation manager of our Company) at nil consideration and hold such equity interests on their behalf as relevant corporate filings and registration were not made at that time. The aforementioned trust arrangements were subsequently terminated in April 2015 when Mr. Yu transferred such equity interests to Hongyuan Shanguo, a PRC-based limited partnership and one of our employee shareholding platforms, which is held by those employees as limited partners. As such, no consideration was paid as the equity transfer represented the termination of the trust arrangement between Mr. Yu and the aforementioned employees of our Company.

As of the Latest Practicable Date, Hongyuan Shanguo was controlled by its general partner, Mr. Yu and was owned as to 0.71% by Mr. Yu (executive Director and chairman of the Board of our Company), 29.8% by Ms. Xu Yanlin (spouse of Mr. Yu, executive Director and general manager of our Company), 25.91% by Mr. Zhu Qidong (executive Director of our Company), 2.64% by Mr. Yang Xiaohu (a Supervisor of our Company) and the remaining 40.94% by other four key employees of our Group who are independent third parties.

(8) In 2012, to introduce more experienced investors to our Company, Mr. Yu transferred registered capital of RMB297,000 and RMB44,996 to Mr. Li Hongwei and Mr. Chen Dezhong and such interests were held by Mr. Yu (as trustee) on behalf of Mr. Li Hongwei and Mr. Chen Dezhong (as beneficiaries) as relevant corporate filings and registration were not made at that time. Such trust arrangements were subsequently terminated in April 2015 when Mr. Yu transferred such interests to Mr. Li Hongwei and Mr. Chen Dezhong and relevant corporate filings and registration were made and no consideration was paid as such equity transfers represented the termination of the trust arrangements between the relevant parties.

(9) No consideration was paid as the relevant equity transfer represented the termination of relevant trust arrangement between Mr. Yu and each of Mr. Tian Jianzhang and Mr. Lin Zhiquan. Qianhai Huxing is a PRC-based limited liability company jointly established in 2015 by Mr. Tian Jianzhang and Mr. Lin Zhiquan in proportion to their equity interests purchased. Both Mr. Tian Jianzhang and Mr. Lin Zhiquan are independent third parties. Due to personal capital needs, in September 2017, Mr. Lin Zhiquan disposed of all his equity interests in Qianhai Huxing to Mr. Chen Jihong, an independent third party.

(10) The equity transfer was due to the internal corporate restructuring of Tiantu Group.

(11) No consideration was paid as Hengwang was an investment holding company controlled by Mr. Tian Xiqiu and Ms. Chen Qingzhen (陳清珍), spouse of Mr. Tian Xiqiu. As of the Latest Practicable Date, Hengwang was owned as to 80% by Mr. Tian Xiqiu, as the single limited partner, and 20% by Ms. Chen Qingzhen, as the executive general partner.

(12) Zhangshu City Mirun Investment Management Center Limited Partnership* (樟樹市米潤投資管理中心(有限合夥)) ("**Mirun Investment**"), Tiantu Capital, Guangfa Xinde Investment Management Co., Ltd.* (廣發信德投資管理有限公司) ("**Guangfa Xinde**"), Zhuhai Qianheng Investment Management Company Limited* (珠海乾亨投資管理有限公司) ("**Zhuhai Qianheng**"), Hongtu Heding (Zhuhai) Industrial Development Fund Limited Partnership* (紅土和鼎(珠海)產業投資基金(有限合夥)) ("**Hongtu Heding**"), Zhuhai Kangyuan Investment Partnership Limited Partnership* (珠海康遠投資企業(有限合夥)) ("**Zhuhai Kangyuan**"), Ms. Wen Liyuan, Mr. Zheng Zhijian, Mr. Su Meisong, Mr. Li Hongwei and Mr. Chen Dezhong are independent third parties.

(13) All considerations were fully settled as of September 14, 2018.

(c) Shareholding Structure of Our Company as of January 1, 2019

Set out below is the shareholding structure of our Company following the above capital increases and equity transfers and up to January 1, 2019, the start of the Track Record Period:

Shareholder(s)	Registered capital contributed	Approximate shareholding
	(RMB)	
1. Mr. Yu	5,605,956	25.5971%
2. Hongyuan Shanguo	1,894,401	8.6499%
3. Hengyili Investment	1,761,738	8.0442%
4. Heshun Liru	683,525	3.1210%
5. Huizhi Zhongxiang	627,996	2.8675%
6. Tiantu Capital	515,814	2.3552%
7. Mr. Huang Chuangru	405,000	1.8493%
8. Mr. Zheng Zhijian	405,000	1.8493%
9. Mr. Li Hongwei	297,000	1.3561%
10. Mr. Huang Weixiong	270,000	1.2328%
11. Guangfa Xinde	199,462	0.9108%
12. Zhuhai Qianheng	135,000	0.6164%
13. Mr. Su Meisong	135,000	0.6164%
14. Hongtu Heding	70,016	0.3197%
15. Ms. Wen Liyuan	64,781	0.2958%
16. Mr. Chen Dezhong	44,996	0.2055%
17. Hengwang	42,537	0.1942%
18. Zhuhai Kangyuan	3,038	0.0139%
19. Certain [**REDACTED**] Investors[Note]	8,739,457	39.9049%
	21,900,717	**100%**

Note: Comprising Tiantu Xingbei (6.1642%), Tiantu Xingsu (4.6231%), CICC Haoze (3.2403%), CM Fund (3.1790%), Xinyu Unicorn (3.1790%), Henan Zhanxin (2.1234%), Zhichun Equity (1.9071%), Lingyu Jishi (1.5926%), SFTZ III (1.5512%), Mingrui No.8 (1.4333%), Bole No. 1 (1.7924%), Mr. Cai Jintao (1.1092%), Kunxin Xiangyi (1.0763%), Suzhou Yuanhan (1.0617%), Tiantu Tiantou (0.8852%), Mr. Liu Gang (0.8726%), Qianhai Equity (0.6164%), Hongtu Equity (0.5328%), Mr. Zhang Yungen (0.5149%), Mr. Wu Xianfeng (0.4799%), Guangzhou Yuexiu (0.4247%), Qianhai Huxing (0.3699%), Zhuopu (0.3230%), Shenzhen Capital (0.2131%), Yitang Hongtu (0.2131%), Xinyu Shuoguo (0.1764%), Mr. Liu Yunhua (0.1277%) and Baima No. 4 (0.1226%) *(displayed in descending order by reference to the shareholding of each* [**REDACTED**] *Investor).*

C. Recent Changes in Shareholding Structure of Our Company

During and subsequent to the Track Record Period, there were certain changes in our Company's shareholding structure. In addition, our Company was converted into a joint-stock company with limited liability (the "**Conversion**") in April 2020, and further to the Conversion, the registered share capital of our Company was increased to RMB1,500,000,000 in April 2020 by capitalization of capital reserve (the "**Capitalization**"). Details of these changes are set out below:

(a) Equity Transfers

From 2019 to 2020, there were certain equity transfers by the Shareholders of our Company, a summary of which is set out below:

	Date of Agreement	Transferor	Transferee	Registered capital transferred	Consideration
	(Year.Month.Date)			*(RMB)*	*(RMB)*
1.	2018.12.23[(1)] . .	Zhuhai Qianheng	Jinyafu*	65,703	30,000,647
2.	2019.01.20 . . .	Zhuhai Qianheng	Jinyafu*	69,297	31,641,703
3.	2019.12.20 . . .	Guangfa Xinde	Shenzhen Huilin[(2)]	199,462	98,366,400
4.	2019.12.20 . . .	Zhuhai Kangyuan	Shenzhen Huilin[(2)]	3,038	1,501,200
5.	2020.02.18 . . .	Ms. Wen Liyuan	Xingxintou*	64,781	35,496,000
6.	2020.02.18 . . .	Tiantu Capital	Xingxintou*	429,845	235,520,000
7.	2020.02.18 . . .	Tiantu Xingsu*	Xingxintou*	63,688	34,900,000
8.	2020.02.18 . . .	Tiantu Capital[(3)]	Tiantu Xingsi*	85,969	20,166,700
9.	2020.02.18 . . .	Tiantu Xingsu*[(3)]	Tiantu Xingsi*	12,738	1,887,100
			Tiantu Xingshun*	127,754	18,926,500
			Tiantu Xinghui*	547,518	81,113,800
10.	2020.02.14 . . .	Qianhai Huxing[(4)]	Mr. Tian Jianzhang*	40,400	4,640,000
			Mr. Chen Jihong (陳繼宏)*	40,600	4,640,000
11.	2020.02.14 . . .	Mr. Huang Chuangru	Shenzhen Huilin[(2)]	328,511	162,000,000
12.	2020.02.14 . . .	Mr. Zheng Zhijian	Shenzhen Huilin[(2)]	328,511	162,000,000

* *Denotes the* [**REDACTED**] *Investor(s) of our Company, further details of which are set out in the paragraph headed "*[**REDACTED**] *Investments" of this section.*

Notes:

(1) The equity transfer was completed in February 2019 and Jinyafu obtained such equity interests and became a shareholder of our Company in 2019.

(2) Shenzhen Huilin is a PRC-based limited liability company established by Mr. Yu and Ms. Xu Yanlin for the sole purpose of holding equity interests in our Company.

On January 17, 2020, Shenzhen Huilin acquired equity interests representing the registered capital of RMB199,462 and RMB3,038 of our Company from Guangfa Xinde and Zhuhai Kangyuan, respectively, at a consideration of RMB98,366,400 and RMB1,501,200, which were determined on arm's length negotiation with reference to the post-money valuation of our Company in relation to its capital increase on July 31, 2018 plus a 8% return rate per annum since then and were fully settled on April 8, 2020.

On March 9, 2020, Shenzhen Huilin further acquired equity interests representing the registered capital of RMB328,511 and RMB328,511 of our Company from Mr. Huang Chuangru and Mr. Zheng Zhijian, respectively, each at a consideration of RMB162 million, which were determined on arm's length negotiation with reference to the post-money valuation of our Company in relation to its capital increase on July 31, 2018 plus a 8% return rate per annum since then and were fully settled on April 8, 2020.

(3) The equity transfers were due to the internal corporate restructuring of Tiantu Group.

(4) Mr. Tian Jianzhang and Mr. Chen Jihong were the ultimate shareholders of Qianhai Huxing at the time of the transfer.

(b) Conversion and Capitalization

Pursuant to Shareholders' resolutions passed on March 10, 2020 and March 25, 2020, our Company was converted into a joint-stock company with limited liability and renamed as Shenzhen Pagoda Industrial (Group) Corporation Limited on April 10, 2020.

Pursuant to a promoters' agreement dated March 10, 2020 entered into by all Shareholders at the time, it was agreed that based on the audited net assets value of our Company as of October 31, 2019, being RMB2,391,908,625, (i) RMB21,900,717 was credited as the registered share capital of our Company and was converted into 21,900,717 Shares of our Company on a one-to-one basis, and (ii) the remaining RMB2,370,007,908 was credited as the capital reserve of our Company.

Pursuant to a Shareholders' resolution passed on April 10, 2020, our registered share capital was further increased to RMB1,500,000,000 by way of capitalization of capital reserve.

Subsequent to the above, the shareholding of our Company was as follows:

Shareholder(s)	Number of Shares	Approximate shareholding
1. Mr. Yu	383,957,019	25.5971%
2. Hongyuan Shanguo	129,749,246	8.6499%
3. Hengyili Investment	120,663,036	8.0442%
4. Shenzhen Huilin	58,869,442	3.9247%
5. Heshun Liru	46,815,248	3.1210%
6. Huizhi Zhongxiang	43,012,016	2.8675%
7. Mr. Li Hongwei	20,341,800	1.3561%
8. Mr. Huang Weixiong	18,492,545	1.2328%
9. Mr. Su Meisong	9,246,273	0.6164%
10. Mr. Huang Chuangru	5,238,801	0.3492%
11. Mr. Zheng Zhijian	5,238,801	0.3492%
12. Mr. Chen Dezhong	3,081,817	0.2055%
13. Hengwang	2,913,398	0.1942%
14. Certain [**REDACTED**] Investors[Note]	652,380,558	43.4922%
	1,500,000,000	**100%**

Note: Comprising of Tiantu Xingbei (6.1642%), CICC Haoze (3.2403%), CM Fund (3.1790%), Xinyu Unicorn (3.1790%), Xingxintou (2.5493%), Tiantu Xinghui (2.5000%), Henan Zhanxin (2.1234%), Zhichun Equity (1.9071%), Bole No. 1 (1.7924%), Lingyu Jishi (1.5926%), SFTZ III (1.5512%), Mingrui No. 8 (1.4333%), Tiantu Xingsu (1.1908%), Mr. Cai Jintao (1.1092%), Kunxin Xiangyi (1.0763%), Suzhou Yuanhan (1.0617%), Tiantu Tiantou (0.8852%), Mr. Liu Gang (0.8726%), Jinyafu (0.6164%), Qianhai Equity (0.6164%), Tiantu Xingshun (0.5833%), Hongtu Equity (0.5328%), Mr. Zhang Yungen (0.5149%), Mr. Wu Xianfeng (0.4799%), Tiantu Xingsi (0.4507%), Guangzhou Yuexiu (0.4247%), Zhuopu (0.3230%), Hongtu Heding (0.3197%), Shenzhen Capital (0.2131%), Yitang Hongtu (0.2131%), Mr. Chen Jihong (0.1854%), Mr. Tian Jianzhang (0.1845%), Xinyu Shuoguo (0.1764%), Mr. Liu Yunhua (0.1277%) and Baima No. 4 (0.1226%) *(displayed in descending order by reference to the shareholding of each* [**REDACTED**] *Investor).*

(c) 2021 Equity Transfers

Subsequent to the Conversion and Capitalization, there were two further equity transfers in relation to the equities of our Company, a summary of which is set out below:

Date of Agreement	Transferor	Transferee	Registered capital transferred	Consideration
(Year.Month.Date)			*(RMB)*	*(RMB)*
1. 2021.09.16	Hongtu Heding	Shenzhen Capital*[(1)]	4,795,459	30,000,000
2. 2021.10.29	Mr. Cai Jintao*	M&G Equity*	2,062,500	16,500,000

* *Denotes the* [**REDACTED**] *Investor(s) of our Company, further details of which are set out in the paragraph headed "*[**REDACTED**] *Investments" of this section.*

Notes:

(1) Hongtu Heding was controlled by Shenzhen Capital, and the equity transfer was due to internal corporate restructuring of Shenzhen Capital.

(2) All considerations of the equity transfers were fully settled as of November 9, 2021.

(d) Shareholding Structure

Subsequent to the above equity transfers and up to the Latest Practicable Date, our Company's shareholding structure was as follows and remained unchanged immediately prior to the completion of [**REDACTED**]:

Shareholder(s)	**Number of Shares**	**Approximate shareholding**
1. Mr. Yu	383,957,019	25.5971%
2. Hongyuan Shanguo	129,749,246	8.6499%
3. Hengyili Investment	120,663,036	8.0442%
4. Shenzhen Huilin	58,869,442	3.9247%
5. Heshun Liru	46,815,248	3.1210%
6. Huizhi Zhongxiang	43,012,016	2.8675%
7. Mr. Li Hongwei	20,341,800	1.3561%
8. Mr. Huang Weixiong	18,492,545	1.2328%
9. Mr. Su Meisong	9,246,273	0.6164%
10. Mr. Huang Chuangru	5,238,801	0.3492%
11. Mr. Zheng Zhijian	5,238,801	0.3492%
12. Mr. Chen Dezhong	3,081,817	0.2055%
13. Hengwang	2,913,398	0.1942%
14. [**REDACTED**] Investors*Note*	652,380,558	43.4922%
	1,500,000,000	**100%**

Note: Tiantu Xingbei (6.1642%), CICC Haoze (3.2403%), CM Fund (3.1790%), Xinyu Unicorn (3.1790%), Xingxintou (2.5493%), Tiantu Xinghui (2.5000%), Henan Zhanxin (2.1234%), Zhichun Equity (1.9071%), Bole No. 1 (1.7924%), Lingyu Jishi (1.5926%), SFTZ III (1.5512%), Mingrui No. 8 (1.4333%), Tiantu Xingsu (1.1908%), Kunxin Xiangyi (1.0763%), Suzhou Yuanhan (1.0617%), Mr. Cai Jintao (0.9717%), Tiantu Tiantou (0.8852%), Mr. Liu Gang (0.8726%), Jinyafu (0.6164%), Qianhai Equity (0.6164%), Tiantu Xingshun (0.5833%), Hongtu Equity (0.5328%), Shenzhen Capital (0.5328%), Mr. Zhang Yungen (0.5149%), Mr. Wu Xianfeng (0.4799%), Tiantu Xingsi (0.4507%), Guangzhou Yuexiu (0.4247%), Zhuopu (0.3230%), Yitang Hongtu (0.2131%), Mr. Chen Jihong (0.1854%), Mr. Tian Jianzhang (0.1845%), Xinyu Shuoguo (0.1764%), M&G Equity (0.1375%), Mr. Liu Yunhua (0.1277%) and Baima No. 4 (0.1226%) *(displayed in descending order by reference to the shareholding of each* [**REDACTED**] *Investor).*

The considerations (if applicable) with respect to the above-mentioned equity transfers and capital subscription have been fully settled and any entrusted shareholding arrangement has been terminated. In addition, as advised by our PRC Legal Adviser, the aforementioned equity transfers and capital increases of our Company as well as the Conversion and the Capitalization were conducted and have been completed in full compliance with applicable PRC laws, regulations and rules, and have obtained all applicable consents, approvals, authorizations and permissions.

D. A-share Listing Preparation

In July 2020, driven by the perceived opening of the Mainland China capital markets as a result of the launch of the registration-based public offering system at that time, our Company initiated the preparation for an A-share listing on the Shenzhen Stock Exchange ("**A-share Listing Preparation**"). On November 6, 2020, our Company engaged Minsheng Securities Co., Ltd (民生證券股份有限公司) ("**Minsheng**") to act as its sponsor for the A-share listing tutoring process. On November 10, 2020, Minsheng, on behalf of our Company, submitted the preliminary tutoring filing (上市前輔導備案) to the CSRC Shenzhen office. Due to the prolonged and uncertain listing timetable in light of the overall A-share Listing Preparation and having considered the then overall market conditions and our Company's business development needs, our Company voluntarily put on hold the A-share Listing Preparation and decided to pursue an H-share [**REDACTED**]. In light of this, in April 2022, our Company and Minsheng agreed to terminate the engagement of Minsheng as sponsor for the A-share Listing Preparation and the termination was effective on May 31, 2022. On May 31, 2022, our Company withdrew its preliminary tutoring filing from the CSRC Shenzhen office. Our Company has not submitted any listing application for its A-share listing to the CSRC or the Shenzhen Stock Exchange and has not received any comments from the relevant regulatory authority in relation to its A-share Listing Preparation. Our Company currently does not have an A-share listing plan.

Our Directors confirm that there were no unresolved or potential disputes or material disagreements between our Company and relevant professional parties (including Minsheng as sponsor) in respect of the A-share Listing Preparation, and they are also of the view that (i) there are no material matters in relation to the A-share Listing Preparation that will affect the suitability of our Company to be [**REDACTED**] in any material respect, and (ii) there are no other matters in relation to the A-share Listing Preparation that ought to be brought to the attention of the [**REDACTED**] and the Stock Exchange.

Based on the due diligence work conducted 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.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had seven principal subsidiaries and 50 other operating subsidiaries and five branch offices.

A. Our Principal Subsidiaries

As of the Latest Practicable Date, our business operations were principally conducted through seven principal subsidiaries established in the PRC, details of which are set out below. Except as otherwise disclosed in the notes below, none of our principal subsidiaries had any shareholding change during the Track Record Period and up to the Latest Practicable Date.

Name	Establishment Date	Owner	Principal Business Activity
1. Pagoda Preliminary Processing	August 11, 2015	Our Company	sales and processing of fruits
2. Pagoda Supply Chain	June 18, 2014	Our Company	provision of supply chain management service
3. Haiyang Jinchengtai[Note]	April 23, 1999	Pagoda Investment	sales and processing of fruits
4. Shanghai Pagoda . . .	March 13, 2020	Our Company	sales and processing of fruits
5. Baiguo Technology . .	November 18, 2014	Our Company	development of information technology
6. Pagoda Xinxiang . . .	April 24, 2019	Pagoda Investment	sales of fresh products
7. Pagoda Investment . .	June 26, 2015	Our Company	equity investment

Note: As of January 1, 2019, Haiyang Jinchengtai had a registered capital of US$5,000,000 and was held as to 56% by Ms. Fong Shun Chun (方舜真), 34% by Mr. Sin Kei Kau (單基球) and 10% by Mr. Jaturong Jirangworapoj. On April 4, 2019, Pagoda Investment acquired all equity interests of Haiyang Jinchengtai, details of which are set out in the paragraph headed "Major Acquisitions, Disposals and Mergers" below.

B. Our Other Operating Subsidiaries

In addition to our principal subsidiaries set out above, as of the Latest Practicable Date, we also had 50 operating subsidiaries and five branch offices established in the PRC that were wholly or non-wholly owned by our Company.

For further details about our other operating subsidiaries and branch offices, please refer to the paragraph headed "Our Corporate Structure as of the Latest Practicable Date" below, note 1.1 to the Accountant's Report as set out in Appendix I to this document, and the paragraph headed "2. Changes in the Share Capital of Our Company and Our Subsidiaries" in Appendix VI to this document.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Haiyang Jinchengtai

On February 26, 2019, Pagoda Investment (a wholly owned subsidiary of our Company) entered into an investment agreement with Ms. Fong Shun Chun, Mr. Sin Kei Kao and Mr. Jaturong Jirangworapoj (then shareholders of Haiyang Jinchengtai), pursuant to which Pagoda Investment acquired the entire interests of Haiyang Jinchengtai by way of purchasing 56%, 34% and 10% equity interests in Haiyang Jinchengtai from Ms. Fong Shun Chun, Mr. Sin Kei Kau and Mr. Jaturong Jirangworapoj, at a consideration of RMB140 million, RMB85 million and RMB25 million, respectively, determined through arm's length negotiation with reference to the valuation of Haiyang Jinchengtai as of October 31, 2018 (being approximately RMB250 million). The consideration was fully settled on April 25, 2019. As a result, Haiyang Jinchengtai became a wholly owned subsidiary of our Company. To the best knowledge of our Directors after due enquiry, Mr. Jaturong Jirangworapoj is an independent third party. Ms. Fong Shun Chun is the director of Haiyang Jinchengtai and Mr. Sin Kei Kau is the spouse of Ms. Fong Shun Chun. Therefore, both Ms. Fong Shun Chun and Mr. Sin Kei Kau are our connected persons.

Haiyang Jinchengtai has a history of operating fruit business for more than 20 years with an established reputation for its rich experience in the management of fruit business (in particular for fruit purchases, stocking, processing and sales) and the related supply chain business, long term and stable business relationships with domestic and overseas business partners, well-known fruit brands, such as "Wangshan Jinchengtai (王山津成泰)" and "JCT" which have been recognized by domestic and overseas markets. As such, our Directors consider that acquisition of Haiyang Jincheng would allow our Company to have access to a stable supply of high-quality fruits, its established domestic and overseas markets and to further expand our Group's business network through Haiyang Jinchengtai.

Youguolian

Youguolian was set up jointly by Pagoda Investment, Beijing Kedao Brand Management Center Partnership (Limited Partnership)* (北京棵道品牌管理中心(有限合夥)) ("**Beijing Kedao**") and Beijing Shanren Brand Management Center Partnership (Limited Partnership)* (北京善仁品牌管理中心(有限合夥)) ("**Beijing Shanren**") in 2017. Since then and immediately up to Pagoda Investment's further acquisition of its interests, Youguolian was owned as to 30% by Pagoda Investment, 40% by Beijing Kedao and 30% by Beijing Shanren. On December 10, 2020, Pagoda Investment entered into a subscription agreement with Youguolian, Beijing Kedao and Beijing Shanren, pursuant to which, Pagoda Investment agreed to inject RMB60 million into Youguolian of which (i) RMB30 million was credited into the registered capital of Youguolian and (ii) RMB30 million was credited as the capital reserve of Youguolian, and which was fully settled on December 16, 2020. As a result, Youguolian became a non-wholly owned subsidiary of our Group and is owned as to 56.25% by Pagoda Investment, 25% by Beijing Kedao and 18.75% by Beijing Shanren.

As part of our Company's development strategy to continue its layout in upstream industry chain, Youguolian was set up as an associate company for the planning, marketing and development of fruit brands as well as the making of standards for the entire industry chain. Since its establishment, Youguolian has been primarily focusing on increasing its agricultural technology capabilities through R&D investment and developing fruit product brands. Our Directors consider that Youguolian is of strategic significance to our Group's overall business development and our Company's further acquisition of equity interests in Youguolian would enable our Company to access more advanced agricultural technology to further improve the fruit quality and sales as well as cultivate high-quality fruit product brands. Over the past five years, Youguolian cultivated a few successful fruit product brands, including Mi Clan and Liangzhi.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of our acquisition of Haiyang Jinchengtai and Youguolian exceed 25%. Accordingly, the relevant pre-acquisition financial information of Haiyang Jinchengtai and Youguolian is not required to be disclosed pursuant to Rule 4.05A.

Save as disclosed above, we have not conducted any acquisitions, disposals or mergers since our establishment that we consider to be material to us.

POST-TRACK RECORD PERIOD ACQUISITIONS

Shenzhen Weikai Acquisition

On July 11, 2022, Pagoda Investment, a wholly owned subsidiary of our Company, entered into a share capital subscription agreement with Mr. Shen Pengfei (諶鵬飛) and Shenzhen Penglai Digital Consulting Partnership (Limited Partnership)* (深圳市鵬來數科諮詢合夥企業(有限合夥)) ("**Penglai Digital**"), a limited partnership established in the PRC controlled by Mr. Shen Pengfei as its executive partner, pursuant to which, among others, Pagoda Investment agreed to inject RMB2.45 million into the registered capital of Shenzhen Weikai Life Service Co., Ltd.* (深圳市微開生活服務有限公司) ("**Shenzhen Weikai**"), and as a result of which, Pagoda Investment acquired 49% of equity interest in Shenzhen Weikai. Such consideration was determined based on arm's length negotiations between the parties with reference to the then registered capital of Shenzhen Weikai and shall be settled within 10 days after the completion of the capital change registration. The consideration was fully settled by Pagoda Investment in cash utilizing its own internal resources on July 12, 2022. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, Mr. Shen Pengfei, Penglai Digital and its ultimate beneficial owners are independent third parties.

As a result of the acquisition of Shenzhen Weikai and as of the Latest Practicable Date, our Company was indirectly interested in 49% of equity interest in Shenzhen Weikai, and Shenzhen Weikai will be accounted for as an associate of our Company.

Shenzhen Weikai is a PRC-established limited liability company which is principally engaged in developing community-focused innovative retail business, expanding community-based membership stores under "Weikai Life" (微開生活) brand and providing fresh agriculture products to community-based users. The acquisition of minority interest in Shenzhen Weikai further enhances our Group's exploration and development of community-based store fronts and opportunities in the new retail market. As Shenzhen Weikai was established in March 2022, no financial information of Shenzhen Weikai for the latest financial year ended December 31, 2021 is available.

Guangxi Zhencheng Acquisition

On July 1, 2022, Pagoda Investment, a wholly owned subsidiary of our Company, entered into a share transfer agreement with Shenzhen Lingxian Jiapin Food Co., Ltd.* (深圳領鮮佳品食品有限公司) ("**Lingxian Jiapin**"), a limited liability company established in the PRC, pursuant to which, among others, Pagoda Investment acquired 14% of equity interest in Guangxi Zhencheng Agriculture Co., Ltd. (廣西真誠農業有限公司) ("**Guangxi Zhencheng**") from Lingxian Jiapin, at a consideration of RMB5.0 million. Such consideration was determined based on arm's length negotiations between the parties with reference to the historical business performance and growth potential of Guangxi Zhencheng and shall be settled by Pagoda Investment in two instalments with (i) the first instalment, being 50% of the consideration (i.e., RMB2.5 million), to be paid within 10 days after the signing of the share transfer agreement, and (ii) the second instalment, being the remaining 50% of the consideration (i.e., RMB2.5 million), to be paid within 15 days after the completion of the capital change registration. The consideration was fully settled by Pagoda Investment in cash utilizing its own internal resources on July 7, 2022 (for the first instalment) and September 15, 2022 (for the second instalment). To the best knowledge, information and belief of our Directors having made all reasonable enquiries, Lingxian Jiapin, its ultimate beneficial owners and the other ultimate beneficial owners of Guangxi Zhencheng are independent third parties.

As a result of the acquisition of Guangxi Zhencheng and as of the Latest Practicable Date, together with a total of 13.76% of equity interest in Guangxi Zhencheng acquired by our Company prior to the Track Record Period, our Company was indirectly interested in an aggregate of 27.76% of equity interest in Guangxi Zhencheng, and Guangxi Zhencheng is and will continue to be accounted for as an associate of our Company.

Guangxi Zhencheng is a PRC-established limited liability company which is principally engaged in manufacturing and retail sales of agricultural products. Guangxi Zhencheng is positioned to be a seedling company with a focus on introducing new products. The acquisition of further interest in Guangxi Zhencheng is in line with our Group's business strategy to acquire leading technologies in breeding, planting, plant protection etc. through investment and acquisition of suitable targets to strengthen our Group's ability to cultivate high-quality fresh grocery products and to incubate product brands. In addition, Guangxi Zhencheng is also one of our business partners and a minority shareholder of Pagoda Seeds, a subsidiary of our Company. According to the audited accounts prepared in accordance with the PRC GAAP standards of Guangxi Zhencheng, its total assets amounted to approximately RMB39.55 million as of December 31, 2021, and it generated a total revenue of approximately RMB8.51 million and recorded a total net loss of approximately RMB2.1 million for the latest financial year ended December 31, 2021.

Lingxian Jiapin is PRC-established limited liability company which is principally engaged in research and development of agricultural technologies, provision of agricultural technology related consulting services, packaging, storage, categorization, delivery, online and offline retail of agricultural products, sale of fruit products etc.. Lingxian Jiapin is a wholly owned subsidiary of Shenzhen Noposion Agrochemicals Co., Ltd. (深圳諾普信農化股份有限公司) (stock code: 002215), a PRC-established joint stock company with limited liability listed on the Shenzhen stock exchange.

Shanghai Niuguo Acquisition

According to a board resolution of Shanghai Niuguo Agricultural Technology Co., Ltd.* (上海牛果農業科技有限公司) ("**Shanghai Niuguo**"), an existing associate of our Company, passed on September 13, 2022, our Company will enter into a supplemental agreement to the joint venture agreement entered into among our Company, Shanghai Jiyou Agricultural Products Co., Ltd.* (上海集友農產品有限公司) ("**Shanghai Jiyou**") and Mission Produce Asia Limited ("**MPA Limited**") with Shanghai Jiyou and MPA Limited, pursuant to which, the registered capital of Shanghai Niuguo will be further increased from RMB29.7 million to RMB35.61 million with the additional registered capital of RMB5.91 million to be subscribed by our Company, Shanghai Jiyou and MPA Limited as to one third, respectively, i.e. RMB1.97 million each. It is expected that the parties will sign the supplemental agreement and the capital increase will be completed before [**REDACTED**]. In addition, it is expected that the capital to be contributed by our Company will be fully settled in cash using our own internal resources before [**REDACTED**]. To the best knowledge, information and belief of our Directors having made all reasonable enquiries, Shanghai Jiyou, MPA Limited and their ultimate beneficial owners are independent third parties.

As a result, (i) out of Shanghai Niuguo's total registered capital of RMB35.61 million, RMB11.87 million will be contributed by our Company, and (ii) our Company will continue to be interested in approximately 33.33% of equity interest in Shanghai Niuguo, and Shanghai Niuguo and will continue to be accounted for as an associate of our Company.

Shanghai Niuguo is a PRC-established limited liability company jointly set up by our Company, Shanghai Jiyou and MPA Limited in 2017 and therefore, is an existing associate of our Company. Shanghai Niuguo is principally engaged in ripening and sales of fruits. The further capital injection in Shanghai Niuguo is in line with our strategy to acquire leading technologies in breeding, planting, plant protection etc. through investment and acquisition of suitable targets to strengthen our Group's ability to cultivate high-quality fresh grocery products and to incubate product brands. According to the audited accounts prepared in accordance with the PRC GAAP standards of Shanghai Niuguo, its total assets amounted to approximately RMB55.74 million as of December 31, 2021, and it generated a total revenue of approximately RMB142.46 million and recorded a total net loss of approximately RMB2.35 million for the latest financial year ended December 31, 2021.

Our Directors believe that the terms of each of the above Post-Track Record Period Acquisitions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

We have applied to the Stock Exchange[, and the Stock Exchange has granted to us], a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in relation to the Post-Track Record Period Acquisitions. Please see the section headed "Waivers from Strict Compliance with the Listing Rules — Waiver in relation to the Post-Track Record Period Acquisitions" for further details.

[REDACTED] INVESTMENTS

Our Company had various rounds of [**REDACTED**] investments from the [**REDACTED**] Investors by transfer of registered share capital and/or subscription of additional registered share capital of our Company, details of which are set out below.

2015 Investments

In April 2015, Renhua Dongsheng (a then shareholder of our Company) entered into a share transfer agreement with, among others, Tiantu Xingsu, pursuant to which, Renhua Dongsheng transferred a total amount of RMB1,012,500 of our Company's registered capital (equivalent to 1,012,500 Shares) to Tiantu Xingsu at a consideration of RMB150,000,000. In addition, Tiantu Xingsu subscribed a total amount of RMB1,350,000 of our Company's registered capital (equivalent to 1,350,000 Shares) at a consideration of RMB200,000,000. Both of the consideration were determined through arm's length negotiation with reference to our Company's valuation of RMB2,000 million immediately prior to the investment.

Subsequently, in July 2015, as a result of internal restructuring of Tiantu Group, Tiantu Xingsu transferred the unpaid registered capital of RMB1,350,000 of our Company to Tiantu Xingbei at a consideration of RMB1.00. Tiantu Xingbei subsequently paid up the consideration of RMB2,000 million for the unpaid registered capital.

In addition, by virtue of a shareholders' resolution passed on December 19, 2015, our Company's registered capital was increased by RMB535,572, which was subscribed by, among others, (i) Qianhai Equity as to RMB134,993 (equivalent to 134,993 Shares) at a consideration of RMB20,000,000; and (ii) Mr. Cai Jintao as to RMB214,952 (equivalent to 214,952 Shares) at a consideration of RMB31,844,776. Such considerations were both determined through arm's length negotiation with reference to the post-money valuation of our Company of approximately RMB2,200 million.

2016 Investments

In November 2016, Renhua Dongsheng (a then shareholder of our Company) entered into a share transfer agreement with each of Bole No. 1 and Baima No. 4, pursuant to which, Renhua Dongsheng transferred a total amount of RMB219,027 and RMB26,841 of our Company's registered capital (equivalent to 219,027 and 26,841 Shares, respectively) to Bole No. 1 and Baima No. 4, at a consideration of RMB78,336,000 and RMB9,600,000, respectively, determined on arm's length negotiation with reference to our Company's valuation of approximately RMB6,800 million immediately prior to the investment.

In addition, Renhua Dongsheng (a then shareholder of our Company) also entered into a share transfer agreement with Mr. Wu Xianfeng, pursuant to which, Renhua Dongsheng transferred a total amount of RMB58,716 of our Company's registered capital (equivalent to 58,716 Shares) to Mr. Wu Xianfeng, at a consideration of RMB21,000,000 determined through arm's length negotiation with reference to our Company's valuation of approximately RMB6,900 million immediately prior to the investment.

2017 Investments

In January 2017, Renhua Dongsheng (a then shareholder of our Company) entered into a share transfer agreement with each of Bole No. 1 and Mr. Liu Yunhua, pursuant to which, Renhua Dongsheng transferred a total amount of RMB116,224 and RMB27,960 of our Company's registered capital (equivalent to 116,224 and 27,960 Shares, respectively) to Bole No. 1 and Mr. Liu Yunhua, at a consideration of RMB41,568,000 and RMB10,000,000, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB6,900 million immediately prior to the investment.

In addition, in February 2017, Hengwang (an existing shareholder of our Company) entered into a share transfer agreement with Tiantu Tiantou, pursuant to which, Hengwang transferred a total amount of RMB193,856 of our Company's registered capital (equivalent to 193,856 Shares) to Tiantu Tiantou, at a consideration of RMB56,000,000, determined on arm's length negotiation with reference to our Company's valuation of approximately RMB5,500 million. As the share transfer was part of the investment of Tiantu Group's in our Company, the valuation of our Company was the same as that agreed by our Company with Tiantu Capital at the time of Tiantu Capital's subscription in our Company in October 2016.

In addition, by virtue of a shareholders' resolution passed on May 15, 2017, our Company's registered capital was increased by RMB211,461, which was subscribed by Zhuopu, Mr. Cai Jintao and Mr. Zhang Yungen as to RMB70,739, RMB27,960 and RMB112,762 (equivalent to 70,739, 27,960, 112,762 Shares), at a consideration of RMB25,300,000, RMB10,000,000 and RMB40,330,000, respectively, determined through arm's length negotiation with reference to the post-money valuation of our Company at approximately RMB6,900 million.

In June 2017, Renhua Dongsheng entered into another share transfer agreement with Bole No. 1, pursuant to which, Renhua Dongsheng transferred a total amount of RMB57,307 of our Company's registered capital (equivalent to 57,307 Shares) to Bole No. 1, at a consideration of RMB20,496,000, determined with reference to the consideration agreed between parties in January 2017.

Further, in July 2017, Mirun Investment (a then shareholder of our Company) entered into a share transfer agreement with Mr. Liu Gang, pursuant to which, Mirun Investment transferred a total amount of RMB191,102 of our Company's registered capital (equivalent to 191,102 Shares) to Mr. Liu Gang, at a consideration of RMB68,350,000, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB6,900 million immediately prior to the investment.

2018 Investments

From February 2018 to May 2018, Mirun Investment (a then shareholder of our Company) entered into share transfer agreements with (i) each of Guangzhou Yuexiu, Mingrui No. 8, CICC Haoze, Henan Zhanxin, Suzhou Yuanhan and Lingyu Jishi, pursuant to which, Mirun Investment transferred a total amount of RMB20,534, RMB69,303, RMB256,679, RMB102,671, RMB51,336 and RMB77,004 of our Company's registered capital (equivalent to 20,534, 69,303, 256,679, 102,671, 51,336 and 77,004 Shares, respectively) to Guangzhou Yuexiu, Mingrui No. 8, CICC Haoze, Henan Zhanxin, Suzhou Hanyuan and Lingyu Jishi, at a consideration of RMB8,000,000, RMB27,000,000, RMB100,000,000, RMB40,000,000, RMB20,000,000 and RMB30,000,000, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB7,500 million immediately prior to the investment; (ii) CM Fund, pursuant to which, Mirun Investment transferred a total amount of RMB356,498 of our Company's registered capital to CM Fund, at a consideration of RMB150,000,000, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,100 million immediately prior to the investment; and (iii) each of Hongtu Equity and Yitang Hongtu, pursuant to which, Mirun Investment transferred a total amount of RMB42,680 and RMB39,128 of our Company's registered capital (equivalent to 42,680 and 39,128 Shares, respectively) to Hongtu Equity and Yitang Hongtu, at a consideration of RMB18,179,280 and RMB16,666,667, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,200 million immediately prior to the investment.

From April 2018 to June 2018, Hengwang (an existing shareholder of our Company) entered into a share transfer agreement with (i) Xinyu Unicorn, pursuant to which Hengwang transferred a total amount of RMB356,498 of our Company's registered capital (equivalent to 356,498 Shares) to Xinyu Unicorn, at a consideration of RMB150,000,000, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,100 million immediately prior to the investment; (ii) each of Shenzhen Capital, Hongtu Equity and Kunxin Xiangyi, pursuant to which, Hengwang transferred a total amount of RMB39,128, RMB21,216 and RMB235,725 of our Company's registered capital (equivalent to 39,128, 21,216 and 235,725 Shares, respectively) to Shenzhen Capital, Hongtu Equity and Kunxin Xiangyi, at a consideration of RMB16,666,667, RMB9,036,869 and RMB100,000,000, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,200 million immediately prior to the investment; (iii) each of Zhichun Equity and Xinyu Shuoguo, pursuant to which, Hengwang transferred a total amount of, RMB417,658 and RMB38,641 of our Company's registered capital (equivalent to 417,658 and 38,641 Shares, respectively) to Zhichun Equity and Xinyu Shuoguo, at a consideration of RMB180,073,000 and RMB16,660,000, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,300 million immediately prior to the investment; and (iv) Mr. Wu Xianfeng, pursuant to which Hengwang transferred a total amount of RMB46,388 of our Company's registered capital (equivalent to 46,388 Shares) to Mr. Wu Xianfeng, at a consideration of RMB20,000,000, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,300 million immediately prior to the investment.

In May 2018, Renhua Dongsheng (a then shareholder of our Company) entered into a share transfer agreement with Hongtu Equity, pursuant to which, Renhua Dongsheng transferred a total amount of RMB33,925 of our Company's registered capital to Hongtu Equity, at a consideration of RMB14,450,518, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB8,200 million immediately prior to the investment.

In addition, by virtue of a shareholders' resolution passed on March 13, 2018, our Company's registered capital was increased by RMB2,649,830 which was subscribed by CM Fund, SFTZ III, Shenzhen Capital, Hongtu Equity, Yitang Hongtu, Guangzhou Yuexiu, Mingrui No. 8, Xinyu Unicorn, CICC Haoze, Henan Zhanxin, Suzhou Yuanhan and Lingyu Jishi as to RMB339,722, RMB339,722, RMB7,549, RMB18,874, RMB7,549, RMB72,474, RMB244,600, RMB339,722, RMB452,962, RMB362,370, RMB181,185 and RMB271,777 (equivalent to 339,722, 339,722, 7,549, 18,874, 7,549, 72,474, 244,600, 339,722, 452,962, 362,370, 181,185 and 271,777 Shares, respectively), at a consideration of RMB150,000,000, RMB150,000,000, RMB3,333,333, RMB8,333,333, RMB3,333,333, RMB32,000,000, RMB108,000,000, RMB150,000,000, RMB200,000,000, RMB160,000,000, RMB80,000,000 and RMB120,000,000, respectively, determined through arm's length negotiation with reference to the post-money valuation of our Company of approximately RMB9,700 million at the time of the investment.

The above 2018 investments were approved by our Company's shareholders by ordinary resolution passed in December 2017 ("**2017 December Resolution**"), among which, it was agreed that (i) for [**REDACTED**] investment made by way of share transfers, the consideration shall be determined by relevant shareholder and investor through arm's length negotiation with reference to the Company's valuation ranging from RMB7,500 million to RMB8,500 million, and (ii) for [**REDACTED**] investments made by way of registered capital subscription, the consideration shall be determined through arm's length negotiation by our Company and relevant investor with reference to the post-money valuation of our Company, taking into account the total amount of additional registered capital subscribed by relevant investors. The relevant investment agreement was subsequently signed by our Company or relevant then shareholder with investor(s) in 2018 upon negotiation of further details of the terms of relevant investment agreement. As such, our Company's valuation for investments made by way of registered capital subscription in March 2018 is higher than investments by way of share transfers in May 2018, and our Company's valuation for different share transfers varies based on the bargaining powers of relevant shareholder(s) and investor(s).

In December 2018, Zhuhai Qianheng (a then shareholder of our Company) entered into a share transfer agreement with Jinyafu, pursuant to which, Zhuhai Qianheng transferred a total amount of RMB65,703 of our Company's registered capital to Jinyafu, at a consideration of RMB30,000,647, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB10,000 million immediately prior to the investment.

2019 Investments

In January 2019, Zhuhai Qianheng (a then shareholder of our Company) entered into share transfer agreements with Jinyafu, pursuant to which, Zhuhai Qianheng transferred a total amount of RMB69,297 of our Company's registered capital to Jinyafu, at a consideration of RMB31,641,703, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB10,000 million immediately prior to the investment.

2020 Investments

In February 2020, (i) each of Ms. Wen Liyuan (a then shareholder of our Company), Tiantu Capital (a then shareholder of our Company) and Tiantu Xingsu (an existing shareholder of our Company) entered into a share purchase agreement with Xingxintou, pursuant to which, Ms. Wen Liyuan, Tiantu Capital and Tiantu Xingsu transferred a total amount of RMB64,781, RMB429,845 and RMB63,688 to Xingxintou, at a consideration of RMB35,496,000, RMB235,520,000 and RMB34,900,000, respectively, determined through arm's length negotiation with reference to our Company's valuation of approximately RMB12,000 million immediately prior to the investment.

Further, due to the internal corporate restructuring of Tiantu Group, in February 2020, (i) Tiantu Capital (a then shareholder of our Company) transferred a total amount of RMB85,969 to Tiantu Xingsi, at a consideration of RMB20,166,700, determined with reference to the average consideration of RMB234.58 per Share agreed with Tiantu Capital for its subscription in our Company in 2016; and (ii) Tiantu Xingsu (an existing shareholder of our Company) transferred a total amount of RMB12,738, RMB127,754 and RMB547,518 of our Company's registered capital (equivalent to 12,738, 127,754 and 547,518 Shares, respectively) to Tiantu Xingsi, Tiantu Xingshun and Tiantu Xinghui, at a consideration of RMB1,887,100, RMB18,926,500 and RMB81,113,800, respectively, determined with reference to the original consideration paid by Tiantu Xingsu for its investment in our Company in 2015.

In addition, Qianhai Huxing (a then shareholder of our Company) transferred a total amount of RMB40,400 and RMB40,600 of our Company's registered capital to Mr. Tian Jianzhang and Mr. Chen Jihong, the ultimate shareholders of Qianhai Huxing, at a consideration of RMB4,640,000 and RMB4,640,000, determined on arm's length negotiation with reference to the net assets of our Company as of December 31, 2019, i.e. approximately RMB2,500 million, taking into account the fact that the equity transfer is due to personal shareholding restructuring of Mr. Tian Jianzhang and Mr. Chen Jihong and our Company's business growth since Qianhai Huxing's original investment made in our Company back in 2015.

2021 Investments

In September 2021, due to an internal corporate restructuring of Shenzhen Capital, the ultimate controller of Hongtu Heding (a then shareholder of our Company), Hongtu Heding entered into a share transfer agreement with Shenzhen Capital, pursuant to which, Hongtu Heding transferred a total amount of RMB4,795,459 of our Company's registered capital (equivalent to 4,795,459 Shares) to Shenzhen Capital, at a consideration of RMB30,000,000, determined with reference to the original investment amount of RMB30,000,000 made by Hongtu Heding into our Company.

In October 2021, Mr. Cai Jintao (an existing shareholder of our Company) entered into a share transfer agreement with M&G Equity, pursuant to which, Mr. Cai Jintao transferred a total amount of RMB2,062,500 of our Company's registered capital to M&G Equity, at a consideration of RMB16,500,000, determined on an arm's length basis with reference to the consideration of RMB8.00 per Share in Xingxintou's investment in our Company in February 2020, being the most recent [**REDACTED**] investment in our Company.

Further Details of the [**REDACTED**] ***Investments***

The table below sets out further details of the [**REDACTED**] Investments:

[REDACTED] Investor(s)	Date of Agreement	Settlement Date	Approximate cost per Share with a nominal value of RMB1.00 upon the completion of the Capitalization	Approximate premium/ (discount) to the [REDACTED]Note
	(Year.Month.Date)	*(Year.Month.Date)*	*(RMB)*	
2015 Investments				
1. Tiantu Xingsu	2015.04.10	2015.06.10	2.16	[REDACTED]
2. Tiantu Xingbei.	2015.07.29	2020.04.08	2.16	[REDACTED]
3. Qianhai Equity.	2015.12.28	2015.12.29	2.16	[REDACTED]
4. Mr. Cai Jintao	2015.12.19	2016.01.04	2.16	[REDACTED]
2016 Investments				
1. Bole No. 1.	2016.11.08	2016.12.16	5.22	[REDACTED]
2. Baima No. 4	2016.11.08	2016.12.16	5.22	[REDACTED]
3. Mr. Wu Xianfeng . . .	2016.12.30	2016.12.30	5.22	[REDACTED]

[REDACTED] Investor(s)	Date of Agreement	Settlement Date	Approximate cost per Share with a nominal value of RMB1.00 upon the completion of the Capitalization	Approximate premium/ (discount) to the [REDACTED]*Note*
	(Year.Month.Date)	*(Year.Month.Date)*	*(RMB)*	
2017 Investments				
1. Bole No. 1	2017.01.23	2017.06.28	5.22	[REDACTED]
	2017.06.14	2017.06.28	5.22	[REDACTED]
2. Mr. Liu Yunhua	2017.01.09	2017.04.11	5.22	[REDACTED]
3. Tiantu Tiantou	2017.02.27	2017.03.03	4.22	[REDACTED]
4. Zhuopu	2017.05.15	2017.07.07	5.22	[REDACTED]
5. Mr. Cai Jintao	2017.05.15	2018.01.19	5.22	[REDACTED]
6. Mr. Zhang Yungen	2017.05.15	2018.01.19	5.22	[REDACTED]
7. Mr. Liu Gang	2017.07.15	2018.04.20	5.22	[REDACTED]
2018 Investments				
1. CM Fund	2018.04.26	2018.08.13	6.14	[REDACTED]
	2018.04.26	2018.05.23	6.45	[REDACTED]
2. Hongtu Equity	2018.05.18	2018.06.07	6.22	[REDACTED]
	2018.05.18	2018.06.07	6.45	[REDACTED]
3. Yitang Hongtu	2018.05.18	2018.06.08	6.22	[REDACTED]
	2018.05.18	2018.06.08	6.45	[REDACTED]
4. Guangzhou Yuexiu	2018.03.12	2018.06.07	5.69	[REDACTED]
	2018.03.12	2018.06.07	6.45	[REDACTED]
5. Mingrui No. 8	2018.03.12	2018.06.07	5.69	[REDACTED]
	2018.03.12	2018.03.22	6.45	[REDACTED]
6. CICC Haoze	2018.02.08	2018.08.29	5.69	[REDACTED]
	2018.02.08	2018.02.12	6.45	[REDACTED]
7. Henan Zhanxin	2018.02.23	2018.09.14	5.69	[REDACTED]
	2018.02.23	2018.03.21	6.45	[REDACTED]
8. Suzhou Yuanhan	2018.02.08	2018.08.28	5.69	[REDACTED]
	2018.02.08	2018.02.13	6.45	[REDACTED]
9. Lingyu Jishi	2018.02.13	2018.03.08	5.69	[REDACTED]
	2018.02.13	2018.03.09	6.45	[REDACTED]
10. Shenzhen Capital	2018.05.18	2018.06.06	6.22	[REDACTED]
	2018.05.18	2018.06.06	6.45	[REDACTED]
11. Xinyu Unicorn	2018.04.26	2018.08.10	6.14	[REDACTED]
	2018.04.26	2018.06.04	6.45	[REDACTED]
12. Mr. Wu Xianfeng	2018.06.01	2018.06.06	6.29	[REDACTED]
13. Kunxin Xiangyi	2018.06.21	2018.07.12	6.22	[REDACTED]
14. Zhichun Equity	2018.05.30	2018.07.23	6.30	[REDACTED]
15. Xinyu Shuoguo	2018.06.01	2018.07.09	6.30	[REDACTED]
16. SFTZ III	2018.04.26	2018.05.11	6.45	[REDACTED]
17. Jinyafu	2018.12.23	2019.02.19	6.67	[REDACTED]
2019 Investments				
1. Jinyafu	2019.01.20	2019.07.12	6.67	[REDACTED]

[REDACTED] Investor(s)	Date of Agreement	Settlement Date	Approximate cost per Share with a nominal value of RMB1.00 upon the completion of the Capitalization	Approximate premium/ (discount) to the [REDACTED]Note
	(Year.Month.Date)	*(Year.Month.Date)*	*(RMB)*	
2020 Investments				
1. Tiantu Xingsi.	2020.02.18	2020.04.08	2.16	[REDACTED]
	2020.02.18	2020.04.08	3.42	[REDACTED]
2. Tiantu Xingshun. . . .	2020.02.18	2020.04.02	2.16	[REDACTED]
3. Tiantu Xinghui.	2020.02.18	2020.04.08	2.16	[REDACTED]
4. Mr. Tian Jianzhang. .	2020.02.14	2020.03.03	1.68	[REDACTED]
5. Mr. Chen Jihong . . .	2020.02.14	2020.03.03	1.67	[REDACTED]
6. Xingxintou.	2020.02.18	2020.02.27	8.00	[REDACTED]
2021 Investments				
1. Shenzhen Capital . . .	2021.09.16	2021.10.27	6.26	[REDACTED]
2. M&G Equity	2021.10.29	2021.11.09	8.00	[REDACTED]

Note: The premium/(discount) percentages are based on an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative range of the [**REDACTED**] between HK$[**REDACTED**] and HK$[**REDACTED**].

The table below further sets out the total number of Shares held by our [**REDACTED**] Investors subsequent to the above [**REDACTED**] investments and their respective shareholdings immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised):

[REDACTED] Investor(s)	Number of Shares immediately prior to the Capitalization	Immediately following the completion of the Capitalization and the [REDACTED] (assuming the [REDACTED] is not exercised)Note	
		Number of Shares	Approximate shareholding (%)
Tiantu group			
1. Tiantu Xingbei	1,350,000	92,462,726	[REDACTED]
2. Tiantu Xinghui	547,518	37,500,005	[REDACTED]
3. Tiantu Xingsu.	260,802	17,862,566	[REDACTED]
4. Tiantu Tiantou	193,856	13,277,374	[REDACTED]
5. Tiantu Xingshun. . . .	127,754	8,749,988	[REDACTED]
6. Tiantu Xingsi	98,707	6,760,532	[REDACTED]
Sub-total	–	176,613,191	[REDACTED]
CICC group			
7. CICC Haoze.	709,641	48,603,957	[REDACTED]
8. Xinyu Unicorn	696,220	47,684,740	[REDACTED]
9. Henan Zhanxin.	465,041	31,851,080	[REDACTED]
10. Bole No. 1	392,558	26,886,654	[REDACTED]
11. Baima No. 4.	26,841	1,838,364	[REDACTED]
Sub-total	–	156,864,795	[REDACTED]

[REDACTED] Investor(s)	Number of Shares immediately prior to the Capitalization	Immediately following the completion of the Capitalization and the [REDACTED] (assuming the [REDACTED] is not exercised)[Note]	
		Number of Shares	Approximate shareholding (%)
Guangzhou Yuexiu group			
12. Shenzhen Capital . . .	46,677	7,992,409	[REDACTED]
13. Mingrui No. 8	313,903	21,499,502	[REDACTED]
Sub-total	–	29,491,911	[REDACTED]
Shenzhen Capital group			
14. Guangzhou Yuexiu . .	93,008	6,370,202	[REDACTED]
15. Hongtu Equity	116,695	7,992,547	[REDACTED]
16. Yitang Hongtu	46,677	3,196,950	[REDACTED]
Sub-total	–	17,559,699	[REDACTED]
Others			
17. CM Fund	696,220	47,684,740	[REDACTED]
18. Xingxintou	558,314	38,239,433	[REDACTED]
19. Zhichun Equity.	417,658	28,605,776	[REDACTED]
20. Lingyu Jishi	348,781	23,888,327	[REDACTED]
21. SFTZ III.	339,722	23,267,868	[REDACTED]
22. Kunxin Xiangyi	235,725	16,145,019	[REDACTED]
23. Suzhou Yuanhan. . . .	232,521	15,925,574	[REDACTED]
24. Mr. Cai Jintao	242,912	14,574,764	[REDACTED]
25. Mr. Liu Gang	191,102	13,088,750	[REDACTED]
26. Jinyafu	135,000	9,246,273	[REDACTED]
27. Qianhai Equity	134,993	9,245,793	[REDACTED]
28. Mr. Zhang Yungen . .	112,762	7,723,172	[REDACTED]
29. Mr. Wu Xianfeng . . .	105,104	7,198,668	[REDACTED]
30. Zhuopu.	70,739	4,844,978	[REDACTED]
31. Mr. Chen Jihong. . . .	40,600	2,780,731	[REDACTED]
32. Mr. Tian Jianzhang. .	40,400	2,767,033	[REDACTED]
33. Xinyu Shuoguo	38,641	2,646,557	[REDACTED]
34. M&G Equity	–	2,062,500	[REDACTED]
35. Mr. Liu Yunhua	27,960	1,915,006	[REDACTED]
	TOTAL	**652,380,558**	[REDACTED]

Note: The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised).

Special Rights

In connection with the [**REDACTED**] investments, certain [**REDACTED**] Investors were entitled to certain special rights, such as pre-emptive right, right of first refusal and/or co-sale right. In addition, pursuant to the relevant [**REDACTED**] investment agreements, each of (i) Tiantu Xingsu and its associates, (ii) Bole No. 1 and Baima No. 4, and (iii) CICC Haoze had the right to nominate a Director to the Board. By virtue of a Shareholders' resolution passed on July 24, 2015, Mr. Pan Pan (潘攀) was nominated by Tiantu Xingsu and its associates and appointed as a non-executive Director of our Company, and by virtue of a Shareholders' resolution passed on May 7, 2019, Mr. Hu Qihao (胡祺昊) was nominated by Bole No. 1 and Baima No. 4 and appointed as a non-executive Director of our Company.

All special rights granted to the [**REDACTED**] Investors were terminated prior to or were automatically terminated upon our Company's submission of [**REDACTED**] application to the CSRC for its [**REDACTED**] of H Shares on the Stock Exchange. Certain special rights shall be automatically revived to full effectiveness as if they were never terminated in some circumstances, including: (i) our Company does not submit its H share [**REDACTED**] application to the CSRC by the prescribed time or does not complete the [**REDACTED**] within the prescribed time period, (ii) our Company, on its own initiative, withdraws its H Share [**REDACTED**] application, (iii) our Company's H share [**REDACTED**] application is rejected or the review of which is terminated, or (iv) the [**REDACTED**] approval letter(s) issued by the CSRC or the Stock Exchange become invalid.

Strategic Benefits

Our Directors are of the view that our Group could benefit from the [**REDACTED**] Investors' commitment to our Company as their investments demonstrate such investors' confidence in the business operation of our Group and serve as an endorsement of our Company's performance, strength and growth prospects. In addition, at the time of respective investment made by our [**REDACTED**] Investors, our Directors were of the view that our Group could benefit from the additional capital contributed by these [**REDACTED**] Investors as well as their knowledge and/or experience.

Further, our Directors are of the view that the [**REDACTED**] Investors would be able to provide valuable advice and business insights relating to our operation and business strategies. Benefiting from the [**REDACTED**] Investors' extensive experience in the retail or agricultural industries or investment in retail, consumer or agriculture or related services industries, including fruit supply chain business and related services business, we would also be able to enhance our business development and have access to experience sharing of such developments in the retail and consumer industries.

Lock-up

Pursuant to the PRC Company Law, all the [**REDACTED**] Investors are subject to a lock-up period of one year from [**REDACTED**].

Use of Proceeds

The proceeds (i.e. RMB1,212,474,775) we obtained from the [**REDACTED**] Investors (where applicable) were used as our general working capital for the expansion and development of our business. As of the Latest Practicable Date, we have utilized all the proceeds.

[**REDACTED**]

None of the [**REDACTED**] Investors is a connected person (as defined under the Listing Rules) of our Company.

Other than [**REDACTED**], [**REDACTED**] and [**REDACTED**] Domestic Shares held by Mr. Tian Jianzhang, Zhuopu and Xinyu Shuoguo, respectively, and which will not be converted into H Shares and be [**REDACTED**] and [**REDACTED**] on [**REDACTED**] upon [**REDACTED**], H Shares (including H Shares to be converted from Domestic Shares) held by the [**REDACTED**] Investors will be treated as part of the [**REDACTED**] of our Company following [**REDACTED**] for the purpose of Rule 8.08 of the Listing Rules. For further details, please see the section headed "Share Capital" in this document.

Background of [REDACTED] Investors

Individual Investors

Mr. Cai Jintao is the founder of Guoduomei (果多美) brand and is experienced in the fields of retail technology and strategy. Mr. Cai Jintao is also a private investor with a focus on the investment in high-technology and business services industries. Mr. Zhang Yungen has more than 20 years of experience in managing retail markets or supermarkets and has been focusing on the management of product categories and technology innovation for fresh retail industry. Mr. Cai Jintao and Mr. Zhang Yungen became acquainted with Mr. Yu through business dealings. During the course of business dealings, they became interested in the business of our Company and therefore decided to invest in our Company.

Mr. Liu Gang is experienced in accounting, audit and financial management as well as investment, financing and merger & acquisitions. Mr. Liu Gang is fellow alumni of Mr. Tian Xiqiu. To facilitate the financing of our Company, Mr. Liu Gang was employed by our Company in 2018 as a business strategy specialist to advise the management of our Company on internal controls, compliance, investment and finance matters. With a belief in our Company's potential growth, Mr. Liu Gang decided to make personal investment in our Company.

Mr. Wu Xianfeng is the vice-chairman of Donguan Fenggang Federation of Industry and Commerce (廣東省東莞市鳳崗鎮工商業聯合會) and an individual investor principally focusing on investments in real estate and food and beverage industry. Mr. Wu Xianfeng became acquainted with our Company through his own business network. Mr. Wu Xianfeng reached out to our Company in 2016 for investments in our Company as he was optimistic about the prospects of our Company.

Mr. Liu Yunhua is experienced in the architecture industry. Mr. Liu Yunhua has been a franchisee of our Company since May 2017. At that time, Mr. Liu Yunhua also reached out to our Company for investments in our Company as he was optimistic about the prospects of our Company.

Mr. Tian Jianzhang is Mr. Tian Xiqiu's distant relative. Mr. Tian Xiqiu reached out to Mr. Tian Jianzhang in 2008 when our Company was looking for external financing. Mr. Tian Jianzhang has over 20 years of experience in the business operation management of fresh agricultural products and is experienced in investment in fresh and/or agricultural business.

Mr. Chen Jihong is an acquaintance of Mr. Tian Jianzhang. With a belief in our Company's growth prospects, Mr. Chen Jihong invested in our Company indirectly through acquiring equity interests in Qianhai Huixing, a then shareholder of our Company. Mr. Chen Jihong is a professional investor with more than 10 years of investment experiences in equities.

Institutional Investors

Tiantu Xinghui, Tiantu Xingsi, Tiantu Xingshun, Tiantu Xingsu, Tiantu Xingbei and Tiantu Tiantou

Each of Tiantu Xinghui and Tiantu Xingsi is a limited partnership established in the PRC and is controlled and managed by Tiantu Management, as their common general partner, and Tiantu Capital, the sole limited partner who contributed 99% of the capital of Tiantu Xinghui and Tiantu Xingsi and the sole shareholder of Tiantu Management. Tiantu Capital is a joint-stock company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (stock code: 833979) in the PRC and is ultimately beneficially owned by Mr. Wang Yonghua (王永華) (the single largest shareholder with more than 40% equity interests in Tiantu Capital). Tiantu Capital is principally engaged in investment of consumer goods companies and managing private equity funds and currently has more than RMB20 billion of assets under its management. Mr. Wang Yonghua is currently the chairman of the board of Tiantu Capital and an experienced investor. Mr. Wang Yonghua is an independent third party.

Tiantu Xingshun is a limited partnership established in the PRC and is managed and controlled by its general partner, Tiantu Management. Tiantu Xingshun is owned as to 1% by Tiantu Management, 41.8571% by Tiantu Capital and 57.1429% by Shenzhen Zhongxing Micro Finance Services Co., Ltd.* (深圳中興飛貸金融科技有限公司) ("**Shenzhen Zhongxing**"). Shenzhen Zhongxing is a limited liability company established in the PRC and is owned as to approximately 37.93% by Mr. Tang Xia (唐俠), an aggregate of approximately 42.37% by Tiantu Capital and its associates, and approximately 19.70% by other eight shareholders. To the best knowledge of our Directors, Shenzhen Zhongxing and its shareholders are all independent third parties. Shenzhen Zhongxing is principally engaged in the provision of financial services. Tiantu Capital and its associates are principally engaged in equity investment. Mr. Tang Xia is the founder of Shenzheng Zhongxing and an entrepreneur who is experienced in the business management of financial technology industry.

Tiantu Xingsu is a limited partnership established in the PRC and is controlled and managed by its general partner, Tiantu Management. Tiantu Xingsu is owned as to 3.30% by Tiantu management, and 48.58% and 48.12% by its two limited partners, namely Tiantu Capital and Tiantu Xinghang, respectively. Tiantu Xinghang is ultimately controlled by Tiantu Capital.

Tiantu Xingbei is a limited partnership established in the PRC and is controlled and managed by its general partner, Tiantu Center. Tiantu Xingbei has 24 limited partners, none of which contributed one third or more of the capital of Tiantu Xingbei. To the best knowledge of our Directors, all limited partners of Tiantu Xingbei are independent third parties. Tiantu Center is a limited partnership established in the PRC and is wholly owned by Tiantu Capital. Both Tiantu Xingbei and Tiantu Center are principally engaged in equity investments and investment consulting.

Tiantu Tiantou is a limited partnership established in the PRC and is controlled and managed by its executive general partner, Tiantu Center. Tiantu Tiantou has another general partner, Shantou Dongfeng Consumer Goods Industry Co., Ltd.* (汕頭東峰消費品產業有限公司) ("**Dongfeng Consumer Goods**"), a company principally engaged in investment consulting in the consumer goods industry. Dongfeng Consumer Goods is wholly owned by Shantou Dongfeng Printing Co., Ltd. (汕頭東風印刷股份有限公司) ("**Shantou Dongfeng**"), a company listed on Shanghai Stock Exchange (stock code: 601515), who is also the single largest limited partner of Tiantu Tiantou with a proximate shareholding of 46.67% in Tiantu Tiantou. Shantou Dongfeng is principally engaged in the design and production of packaging materials. Pursuant to the partnership agreement entered into among all partners of Tiantu Tiantou on July 7, 2017, Dongfeng Consumer Goods has no control over the business operation and management decisions of Tiantu Tiantou. In addition to Shantou Dongfeng, Tiantu Tiantou has four other limited partners and to the best knowledge of our Directors, they are all independent third parties. Tiantu Tiantou is principally engaged in investment consulting.

Each of Tiantu Xinghui, Tianhui Xingshun, Tiantu Xingsi, Tiantu Xingsu and Tiantu Xingbei is principally engaged in equity investment in consumer and retail industries.

Bole No. 1, Baima No. 4, Henan Zhanxin, CICC Haoze and Xinyu Unicorn

Each of Bole No. 1 and Baima No. 4 is a limited partnership established in the PRC and is controlled and managed by their common general partner, CICC Qianhai (Shenzhen) Equity Investment Fund Management Co., Ltd. (中金前海(深圳)股權投資基金管理有限公司) ("**CICC Qianhai Equity**"). The limited partners of Bole No. 1 and Baima No. 4 are investment funds managed by CICC Qianhai (Shenzhen) Private Equity Fund Management Co., Ltd. (中金前海(深圳)私募股權基金管理有限公司) ("**CICC Qianhai Development**"). Both Bole No. 1 and Baima No. 4 are principally engaged in investment management. Currently, Bole No. 1 has approximately RMB148.01 million of assets under its management and Baima No. 4 has approximately RMB10.01 million of assets under its management.

CICC Qianhai Equity is a limited company established in the PRC and a wholly-owned subsidiary of CICC Qianhai Development. CICC Qianhai Development is a limited liability company established in the PRC and is owned as to 55% by its sole largest shareholder, CICC Capital Operation Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**") which is in turn ultimately controlled by China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**"), a company listed on the Stock Exchange (stock code: 03908). CICC Qianhai Equity is principally engaged in equity investment. CICC Qianhai Development is principally engaged in fund management.

Henan Zhanxin is a limited partnership established in the PRC and is controlled and managed by its general partner, Henan CICC Huirong Private Fund Management Co., Ltd. (河南中金匯融私募基金管理有限公司) ("**Henan CICC Huirong**"). Henan Zhanxin is owned as to approximately 0.067% by Henan CICC Huirong and approximately 99.933% by Henan Provincial Investment Company (河南投資集團有限公司) ("**Henan Investment**"). Henan CICC Huirong is a limited liability company established in the PRC and is owned as to 50% by Henan Investment Group Huirong Fund Management Co., Ltd. (河南投資集團匯融基金管理有限公司), which is in turn wholly owned and controlled by Henan Department of Finance (河南省財政廳), and 50% by CICC Capital which is in turn ultimately owned and controlled by CICC. Henan Investment is a limited liability company established in the PRC and is wholly owned by Henan Department of Finance. Henan Zhanxin is principally engaged in investment in emerging industries in Henan Province and has approximately RMB22.7 billion of assets under its management. Both Henan CICC Huirong and Henan Investment are principally engaged in equity investment in emerging industries in Henan Province and fund management.

CICC Haoze is a limited partnership established in the PRC and is controlled and managed by its (executive) general partner, CICC Qizhi (Shanghai) Equity Investment Management Co., Ltd. (中金祺智(上海)股權投資管理有限公司) ("**Qizhi Management**"). As of the Latest Practicable Date, Qizhi Management was owned as to 40% by Mr. Shan Junbao (單俊葆), the chairman of the board of Qizhi Management and 60% by two other individuals and neither of whom contributed one third or more of the capital of Qizhi Management. CICC Capital is interested in the entire equity interests of Qizhi Management through contractual arrangements. As of the Latest Practicable Date, CICC Haoze was owned as to (i) approximately 0.33% by its (executive) general partner, Qizhi Management, (ii) approximately 93.05% by CICC Qizhi (Shanghai) Equity Investment Center Limited Partnership* (中金祺智(上海)股權投資中心(有限合夥)) ("**Qizhi Equity**"), the single largest limited partner, and (iii) approximately 6.62% by two other limited partners and neither of whom contributed 5% or more of the capital of CICC Haoze. To the best knowledge of our Directors, all limited partners of CICC Haoze are independent third parties. Qizhi Equity is a limited partnership established in the PRC and is controlled and managed by its general partner, CICC Private Equity Investment Management Co., Ltd.* (中金私募股權投資管理有限公司), a wholly owned subsidiary of CICC. CICC Haoze is principally engaged in equity investment focusing on investments in high-tech and consumer industries. Qizhi Equity is principally engaged in equity investment and management.

Xinyu Unicorn is a limited partnership established in the PRC whose general partner is CICC Qianhai Development. Xinyu Unicorn has one limited partner Zhuhai Zhixi Investment Center Limited Partnership (珠海植熙投資中心(有限合夥)) ("**Zhuhai Zhixi**") who contributed more than 99% of the capital of Xinyu Unicorn. Zhuhai Zhixi is a limited partnership established in the PRC and is ultimately controlled by Mr. Xie Zhikun (解直錕), who is an independent third party. Xinyu Unicorn is principally engaged in investment management and currently has approximately RMB303.55 million of assets under its management. Zhuhai Zhixi is principally engaged in equity investment.

To the best knowledge of our Company after due enquiry, Mr. Xie passed away in December 2021 and his estate, including indirect investment in our Company through Xinyu Unicorn and Yitang Hongtu, is currently under the estate settlement process in accordance with applicable PRC laws.

Shenzhen Capital, Hongtu Equity and Yitang Hongtu

Shenzhen Capital is a limited liability company established in the PRC and is owned as to (i) 28.20% by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會), a government agency and its largest shareholder, and (ii) 71.80% by the remaining shareholders and none of them held one third or more of equity interests in Shenzhen Capital. To the best knowledge of our Directors, shareholders of Shenzhen Capital are all independent third parties. Shenzhen Capital is principally engaged in investment in small and medium-sized enterprises and high-tech enterprises, and has more than RMB420 billion of assets under its management.

Hongtu Equity is a limited partnership established in the PRC and is controlled and managed by its general partner, Shenzhen Futian Hongtu Equity Investment Fund Management Co., Ltd.* (深圳市福田紅土股權投資基金管理有限公司) ("**Hongtu Fund Management**"). Hongtu Equity is owned as to 2% by Hongtu Fund Management, 40% by Shenzhen Capital and 58% by three other limited partners, none of which contributed one third or more of the capital of Hongtu Equity. Hongtu Equity is principally engaged in equity investment and fund management, and has RMB500 million of assets under its management.

Yitang Hongtu is a limited partnership principally established in the PRC and is controlled and managed by its general partner, Beijing Hongtu Yitang Equity Investment Management Center Limited Partnership* (北京紅土屹唐股權投資管理中心(有限合夥)) ("**Beijing Hongtu**"). Yitang Hongtu is owned as to approximately 0.09% by Beijing Hongtu (as the general partner), approximately 29.98% by Shenzhen Capital, approximately 29.97% by Beijing E-town Industry Investment Center Limited Partnership* (北京亦莊國際新興產業投資中心(有限合夥)) ("**Beijing E-town**"), approximately 29.97% by Beijing Hengtian Xinfa Investment Management Center Limited Partnership (北京恒天信發投資管理中心(有限合夥)) ("**Hengtian Xinfa**") and approximately 9.99% by Tiantongtai Investment Group Limited (天通泰投資集團有限公司) ("**Tiantongtai**"). Yitang Hongtu is principally engaged in investment consulting and has RMB330 million of assets under its management. Beijing E-town is a limited partnership established in the PRC and is ultimately wholly controlled by Finance and

Audit Bureau of Beijing Economic-technology Development Area (北京經濟技術開發區財政審計局), a government agency. Beijing E-town is principally engaged in equity investment. Hengtian Xinfa is a limited partnership established in the PRC and is ultimately controlled by Mr. Xie Zhikun (further details are set out above). Hengtian Xinfa is principally engaged in equity investment. Tiantongtai is a limited liability company established in the PRC. Tiantongtai has eight shareholders, none of which holds one third or more of the equity interests in Tiantongtai and to the best knowledge of our Directors, they are all independent third parties. Tiantongtai is principally engaged in investment management. Beijing Hongtu is a limited partnership established in the PRC and as of the Latest Practicable Date, it was owned as to 65.82%, 31.65% and 2.53% by Shenzhen Innovation Investment Management Consulting (Beijing) Co., Ltd. (深創新投資管顧問(北京)有限公司) (a wholly owned subsidiary of Shenzhen Capital), Beijing E-town and Tiantongtai, respectively.

Guangzhou Yuexiu and Mingrui No. 8

Each of Guangzhou Yuexiu and Mingrui No. 8 is a limited partnership established in the PRC and is controlled and managed by their common general partner, Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd. (廣州越秀產業投資基金管理股份有限公司) ("**Yuexiu Industrial**"), which is in turn ultimately controlled by Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000987). Both Guangzhou Yuexiu and Mingrui No. 8 are principally engaged in equity investment and each currently has approximately RMB35 billion of assets under their management.

As of the Latest Practicable Date, Guangzhou Yuexiu was owned as to (i) 1.14% by its general partner, Yuexiu Industrial, and (ii) 98.86% by seven limited partners, which are all PRC-based entities and none of them contributed one third or more of the capital in Guangzhou Yuexiu. As of the Latest Practicable Date, Mingrui No. 8 was owned as to (i) 0.74% by its general partner, Yuexiu Industrial, (ii) 73.38% by Guangzhou State-owned Assets and Enterprises Innovation Fund Partnership Limited Partnership* (廣州國資國企創新投資基金合夥企業(有限合夥)), the largest limited partner, and (iii) 25.88% by five limited parties, and none of them contributed one third or more of the capital in Mingrui No. 8. To the best knowledge of our Directors, Yuexiu Industrial and all limited partners of Guangzhou Yuexiu and Mingrui No. 8 are independent third parties.

Zhuopu

Zhuopu is a limited partnership established in the PRC and is controlled and managed by its executive general partner, Shenzhen Pioneer Investment Management Co., Ltd. (深圳先驅投資管理有限公司) ("**Shenzhen Pioneer**"). Zhuopu is principally engaged in investment consulting and is the special purpose vehicle set up solely for the purpose of investment in our Company. As of the Latest Practicable Date, Zhuopu was owned as to 0.01% by Shenzhen Pioneer (as the general partner), 39.52% by Dongguan Linjiwei Industrial Investment Co., Ltd. (東莞市林積為實業投資有限公司) ("**Dongguan Linjiwei**") and 60.47% by ten individuals with each contributing less than 10% of the capital of Zhuopu. To the best knowledge of our Directors, all limited partners of Zhuopu are independent third parties. Zhuopu is principally engaged in investment consulting in the retail industry. Shenzhen Pioneer is principally engaged in assets and investment management. Shenzhen Pioneer is ultimately controlled by Mr. Peng Heping (彭和平) who is an independent third party and an individual investor. Dongguan Linjiwei is ultimately controlled by Mr. Jiang Xilin (蔣錫林), an independent third party and chairman of the board of Dongguan Linjiwei. Dongguan Linjiwei is principally engaged in investment in business with a focus on R&D and production and sales of electronic components and automation equipment.

Xinyu Shuoguo

Xinyu Shuoguo is a limited partnership established in the PRC and is managed by its (executive) general partner, Ms. Li Ping (李萍). As of the Latest Practicable Date, Xinyu Shuoguo was owned as to (i) 15.88% by its (executive) general partner, Ms. Li Ping, and (ii) nine limited partners who are all individuals and none of them contributed one third or more of the capital of Xinyu Shuoguo. To the best knowledge of our Directors, both Ms. Li Ping and the limited partners of Xinyu Shuoguo are independent third parties. Xinyu Shuoguo is principally engaged in investment management and corporation investment. Xinyu Shuoguo is the special purpose vehicle set up solely for the purpose of investment in our Company with a total paid in capital of RMB17 million. The partners of Xinyu Shuoguo are experienced in the fields of securities, funds, supply chain and listing matters and have a well-established network in those fields.

Other Institutional Investors

Qianhai Equity. Qianhai Equity is a limited partnership established in the PRC and is controlled and managed by its general partner, Qianhai Fangzhou Assets Management Co., Ltd. (前海方舟資產管理有限公司) ("**Fangzhou Assets**"). Qianhai Equity has 49 limited partners with each holding less than 6% limited partnership interest in Qianhai Equity and to the best knowledge of our Directors, they are all independent third parties. Qianhai Equity is principally engaged in equity investment. Fangzhou Assets is a limited liability company established in the PRC and is ultimately controlled by Mr. Jin Haitao (靳海濤), who is an independent third party and an individual investor. Mr. Jin Haitao is currently the chairman of Fangzhou Assets. Fangzhou Assets is principally engaged in venture capital investment.

CM Fund. CM Fund is a limited partnership established in the PRC and is managed by its executive general partner, Shenzhen Zhaoshang Huihe Equity Investment Fund Management Co., Ltd. (深圳市招商慧合股權投資基金管理有限公司) ("**Zhaoshang Huihe**"). As of the Latest Practicable Date, CM Fund was owned as to (i) 0.9975% by its executive general partner, Zhaoshang Huihe, (ii) 75.8090% by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) ("**Structural Reform Fund**") as the largest limited partner, and (iii) 23.1935% by four other limited partners which are all PRC-based entities. Structural Reform Fund is a limited liability established in the PRC and as of the Latest Practicable Date, it was owned as to 30.36% by China Chengtong Group Co., Ltd. (中國誠通控股集團有限公司) ("**China Chengtong**"), the single largest shareholder of Structural Reform Fund, and which was in turn wholly owned by the State Council. CM Fund and Zhaoshang Huihe are principally engaged in investment management. CM Fund has approximately RMB25.06 billion of assets under its management.

Kunxin Xiangyi. Kunxin Xiangyi is a limited partnership established in the PRC and is controlled and managed by its general partner CITIC Agricultural Industry Fund Management Co., Ltd. (中信農業產業基金管理有限公司) ("**CITIC Agricultural**"), which is in turn controlled by CITIC Agricultural Corporation Limited (中信農業科技股份有限公司) ("**Agricultural Corporation**"). Agricultural Corporation is ultimately controlled by CITIC Limited (中國中信股份有限公司), a company listed on the Stock Exchange (stock code: 00267). Kunxin Xiangyi is owned as to approximately 99% by CCT-CITIC Agri Fund (誠通中信農業結構調整投資基金有限合夥)) ("**CCT-CITIC**"), which is owned as to approximately 36.90% and 34.69% by Agricultural Corporation and China Structural Reform Fund, respectively. Both of Kunxin Xiangyi and CCT-CITIC are principally engaged in investment in modern agricultural industries. CITIC Agricultural is principally engaged in private equity and investment consulting, and has approximately RMB10 billion of assets under its management.

Suzhou Yuanhan. Suzhou Yuanhan is a limited partnership established in the PRC and is controlled and managed by its general partner, Suzhou Yuanzhan Equity Investment Management Partnership Limited Partnership* (蘇州源展股權投資管理合夥企業(有限合夥)) ("**Suzhou Yuanzhan**"). Suzhou Yuanhan has 31 limited partners, none of which contributed one third or more of the capital of Suzhou Yuanhan. Since its inception, Suzhou Yuanhan is dedicated to making equity investments in private companies across multiple sectors, spanning across industrial digitization, artificial intelligence, robotics, advanced manufacturing, green development, enterprise software, healthcare and biotech, new consumption and new brands and Global+. Suzhou Yuanzhan is a limited partnership established in the PRC and is controlled and managed by its general partner, Ningbo Yuansu Enterprise Management Consulting Limited (寧波源溯企業管理諮詢有限公司) ("**Ningbo Yuansu**"). Suzhou Yuanzhan is owned as to approximately 3.23% by Ningbo Yuansu (as the general partner), 71.29% by Xizang Yuanding Investment Holding Limited (西藏源鼎投資控股有限公司) ("**Xizang Yuanding**") (as the single largest limited partner) and 25.48% by an independent third party. Both Ningbo Yuansu and Xizang Yuanding are ultimately controlled by Mr. Cao Yi (曹毅), an independent third party and an individual investor. Suzhou Yuanzhan, Ningbo Yuansu and Xizang Yuanding are all principally engaged in equity investment.

Lingyu Jishi. Lingyu Jishi is a limited partnership established in the PRC and is controlled and managed by its general partner, Shenzhen Lingxin Jishi Equity Investment Fund Management Limited Partnership (深圳市領信基石股權投資基金管理合夥企業(有限合夥)) ("**Lingxin Jishi**"). Lingyu Jishi has 19 limited partners, of which Shenzhen Guide Fund Investment Co., Ltd (深圳市引導基金投資有限公司) is the largest limited partner with 20.23% limited partnership interests in Lingyu Jishi and which is wholly owned by Shenzhen Finance Bureau (深圳市財政局). Lingxin Jishi is a limited partnership established in the PRC and is ultimately controlled by Mr. Zhang Wei (張維), an individual investor and an independent third party. Lingyu Jishi is principally engaged in investment in healthcare, consumer services, technology and media industries. Lingxin Jishi is principally engaged in equity investment and has approximately of RMB51.38 billion of assets under its management.

Zhichun Equity. Zhichun Equity is a limited partnership established in the PRC and is controlled and managed by its general partner, Ningbo Meishan Bonded Port District Xiamu Investment Management Partnership Limited Partnership* (寧波梅山保稅港區夏木投資管理合夥企業(有限合夥)) ("**Xiamu Investment**"). Zhichun Equity is owned as to 1.22% by Xiamu Investment (as the general partner), 84.15% by Mr. Zhang Jianping (章建平) (as the single largest limited partner) and 14.63% by five other limited partners. To the best knowledge of our Directors, all limited partners of Zhichun Equity are independent third parties. Xiamu Investment is a limited partnership established in the PRC and is ultimately controlled by Ms. Wang Yumei (王禹媚), an individual investor and an independent third party. Zhichun Equity is principally engaged in investment in consumer services, technology and entertainment industries, and has approximately RMB1 billion of assets under its management. Xiamu Investment is principally engaged in investment management.

SFTZ III. SFTZ III is a limited partnership established in the PRC and is controlled and managed by its general partner, Shanghai Free Trade Zone Equity Investment Fund Management Co., Ltd. (上海自貿區股權投資基金管理有限公司) ("**SFTZ Equity**"). SFTZ III has three largest shareholders, namely (i) China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a company listed on the Stock Exchange (stock code: 01359), (ii) Shanghai International Airport Co., Ltd. (上海國際機場股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600009), and (iii) Shanghai International Group Corporation Limited (上海國際集團有限公司), a company focusing on asset management and investment and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市人民政府國有資產監督管理委員會), each of which holds 29.17% equity interests in SFTZ III. SFTZ Equity is a limited liability company established in the PRC with a focus on equity investment management and has seven shareholders, none of which contributed more than 15% of the equity interests of SFTZ Equity. SFTZ III is principally engaged in investment in the logistics supply chain, biomedical and intelligent manufacturing industries, and has approximately RMB1.7 billion of assets under its management.

Jinyafu. Jinyafu is a limited partnership established in the PRC and is controlled and managed by its general partner, Shenzhen Jinyafu Investment Management Co., Ltd. (深圳市金雅福投資管理有限公司) ("**Jinyafu Investment**"). Jinyafu is owned as to 1% by Jinyafu Investment, 76.21% by Ms. Zhou Honghua (周紅華) and 22.79% by Mr. Li Bin (李濱). Jinyafu Investment is wholly owned by Mr. Huang Shikun (黃仕坤). Mr. Li Bin, Mr. Huang Shikun and Ms. Zhou Honghua are all independent third parties. Jinyafu is principally engaged in venture capital investment and Jinyafu Investment is principally engaged in investment portfolio management, and has approximately RMB500 million of assets under its management.

Xingxintou. Xingxintou is a limited partnership established in the PRC and is controlled and managed by its general partner, Tibet Xingcai Venture Investment Co., Ltd. (西藏星彩創業投資有限公司) ("**Tibet Xingcai**"). Xingxintou is owned as to 50% by Tibet Xingcai and 50% by Tibet Xinxingrong Venture Investment Co., Ltd. (西藏鑫星融創業投資有限公司) ("**Tibet Xinxingrong**"). Each of Tibet Xingcai and Tibet Xinxingrong is a limited liability company established in the PRC and is ultimately controlled and wholly owned by Mr. Huang Chulong (黃楚龍), an independent third party. Mr. Huang Chulong is an individual investor and an independent third party. Xingxintou is principally engaged in equity investment and has approximately RMB15 billion of assets under its management. Tibet Xingcai and Tibet Xinxingrong are principally engaged in venture capital investment.

M&G Equity. M&G Equity is limited partnership established in the PRC and is controlled and managed by its general partner, Mr. Chen Huwen (陳湖文). M&G Equity is owned as to (i) 38% by Mr. Chen Huwen, and (ii) 38% by Mr. Chen Huxiong (陳湖雄) and 24% by Ms. Chen Xueling (陳雪玲) as limited partners. Mr. Chen Huwen, Mr. Chen Huxiong and Ms. Chen

Xueling are siblings and have extensive experience in equity investments. To the best knowledge of our Directors, Mr. Chen Huwen, Mr. Chen Huxiong and Ms. Chen Xueling are independent third parties. M&G Equity is principally engaged in investment management, enterprise management consulting and finance consulting etc., and has approximately RMB300 million of assets under its management.

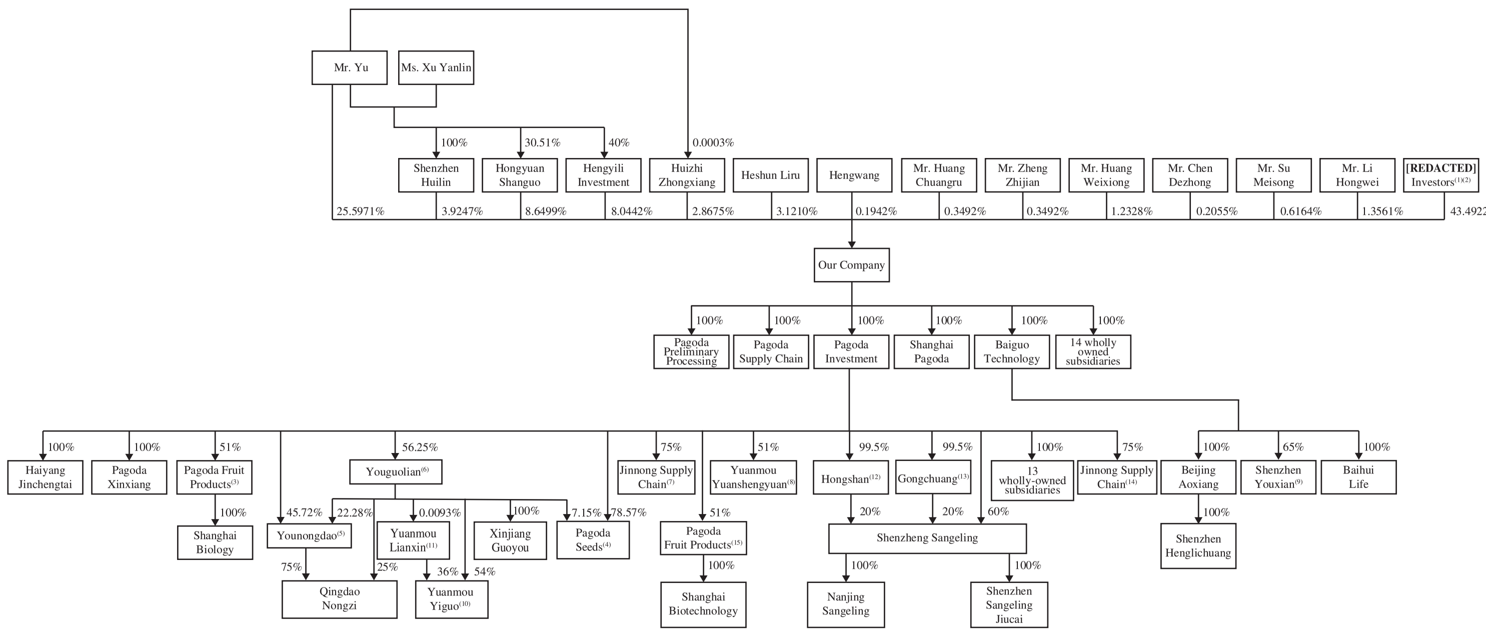
To the best knowledge of our Directors, all the [**REDACTED**] Investors are independent third parties.

SOLE SPONSOR'S VIEW

On the basis that (i) the considerations for the [**REDACTED**] investments as described above were settled more than 28 clear days before the date of our first submission of the [**REDACTED**] application in relation to the [**REDACTED**] to the Stock Exchange; and (ii) the special rights granted to the [**REDACTED**] Investors have been terminated in accordance with the terms and conditions under the respective agreements between the [**REDACTED**] investors and the Company prior to the submission of the H Shares [**REDACTED**] to the Stock Exchange, the Sole Sponsor confirms that the [**REDACTED**] investment as described above are in compliance with (i) the Interim Guidance on the [**REDACTED**] investment issued by the Stock Exchange in October 2010 and as updated in March 2017 in the Guidance Letter GL29-12; (ii) the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

OUR CORPORATE STRUCTURE AS OF THE LATEST PRACTICABLE DATE

The chart below sets out our simplified corporate structure as of the Latest Practicable Date and immediately prior to [**REDACTED**]:



Notes:

(1) Please refer to the paragraph headed "[**REDACTED**] Investments" in this section.

(2) As of the Latest Practicable Date, an aggregate of 7,491,535 Shares held by Xinyu Shuoguo and Zhuopu, representing approximately 0.4994% of our Company's entire share capital, was subject to a freezing order under assets protection made by the Shenzhen Nanshan District People's Court (the "**Court**") in connection with pending lawsuits against, among others, Xinyu Shuoguo and Zhuopu for commercial disputes with others who are all independent third parties. Both Xinyu Shuoguo and Zhuopu are independent third parties. Neither our Company nor any of our Directors or senior management members was involved in such pending lawsuits. As of the Latest Practicable Date, the plaintiffs had appealed the Court's decision and the lawsuits were still on going.

Pursuant to the applicable PRC laws and regulations, shares subject to a freezing order are not eligible for converting into H Shares and cannot be transferred or disposed. As advised by our Company's PRC Legal Adviser, given Xinyu Shuoguo and Zhuopu are not applying for conversion of such shares into H Shares upon [**REDACTED**] the freezing order made by the Court against the shares held by Xinyu Shuoguo and Zhuopu in our Company does not have a material adverse impact on our Group's business operations or our Company's proposed [**REDACTED**] in Hong Kong.

(3) As of the Latest Practicable Date, the remaining 49% of the equity interest in Pagoda Fruit Products was owned as to 29% by Shenzhen Huiguo Company Management Partnership* (深圳慧果企業管理合夥企業) and 20% by Dongguan Baiguo Biotechnology Company Limited* (東莞百果生物技術有限公司), each being an independent third party save for it being a shareholder of Pagoda Fruit Products.

(4) As of the Latest Practicable Date, the remaining 14.28% of the equity interests in equity interest of Pagoda Seeds was owned by Guangxi Zhencheng Agriculture Co., Ltd.* (廣西真誠農業有限公司), an independent third party save for it being a shareholder of Pagoda Seeds.

(5) As of the Latest Practicable Date, the remaining 32% of the equity interests in Younongdao was owned by Mr. Koiwai Masaaki, an independent third party save for him being a shareholder of Younongdao.

(6) As of the Latest Practicable Date, the remaining 43.75% of the equity interests of Youguolian was owned as to 25% by Beijing Kedao and 18.75% by Beijing Shanren, each being an independent third party save for it being a shareholder of Youguolian.

(7) As of the Latest Practicable Date, the remaining 25% of the equity interests in Jinnong Supply Chain was owned by Mr. Zheng Yuanzhong (鄭元中), an independent third party save for him being a shareholder of Jinnong Supply Chain.

(8) As of the Latest Practicable Date, the remaining 49% of the equity interests in Yuanmou Yuanshengyuan was owned by Mr. Chen Fusheng (陳福生), an independent third party save for him being a shareholder of Yuanmou Yuanshengyuan.

(9) As of the Latest Practicable Date, the remaining 35% of the equity interests in Shenzhen Youxian was owned by Tanlian Information Technology (Beijing) Co., Ltd.* (碳鏈信息科技(北京)有限公司), an independent third party save for it being a shareholder of Shenzhen Youxian.

(10) As of the Latest Practicable Date, the remaining 10% of the equity interests in Yuanmou Yiguo Agricultural Technology Company Limited* (元謀憶果農業科技有限責任公司) ("**Yuanmou Yiguo**") was owned by Jiangsu Lvyi Agricultural Technology Company Limited* (江蘇綠浥農業科技股份有限公司), an independent third party save for it being a shareholder of Yuanmou Yiguo.

(11) As of the Latest Practicable Date, Yuanmou Lianxin Agricultural Partnership (Limited Partnership) (元謀聯鑫農業合夥企業(有限合夥))* ("**Yuanmou Lianxin**") was owned as to 0.0093% by its general partner, Youguolian, and as to 53.6944% and 46.2963% by Mr. Zhang He (張賀) and Mr. Xia Kaixing (夏開星) as the limited partners, respectively. Mr. Zhang He and Mr. Xia Kaixing are independent third parties save for each of them being a shareholder of Yuanmou Lianxin.

(12) As of the Latest Practicable Date, the remaining 0.5% of the equity interests in Shenzhen Sangeling Hongshan Enterprise Management Center Partnership (Limited Partnership)* (深圳三個零弘善企業管理中心(有限合夥)) ("**Hongshan**") was owned by Mr. Yu Jiujun (于玖君), an independent third party save for him being a shareholder of Shenzhen Hongshan.

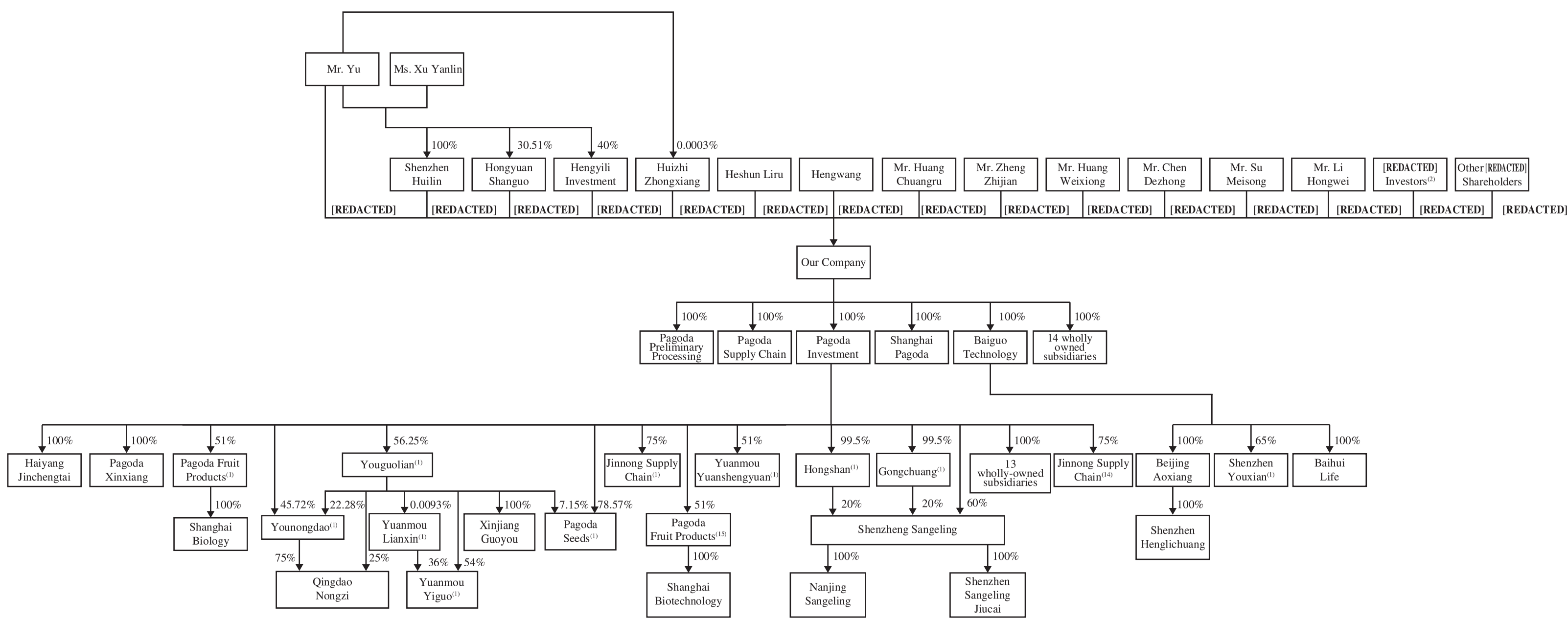
(13) As of the Latest Practicable Date, the remaining 0.5% of the equity interests in Shenzhen Sangeling Gongchuang Enterprise Management Center Partnership (Limited Partnership)* (深圳三個零共創企業管理中心(有限合夥)) ("**Gongchuang**") was owned by Mr. Yuan Feng (袁峰), an independent third party save for him being a shareholder of Gongchuang.

(14) As of the Latest Practicable Date, the remaining 25% of the equity interests in Jinnong Supply Chain was owned by Mr. Zheng Yuanzhong (鄭元中), an independent third party save for him being a shareholder of Jinnong Supply Chain.

(15) As of the Latest Practicable Date, the remaining 49% of the equity interests in Pagoda Fruit Products was owned as to 29% by Shenzhen Huiguo Enterprise Management Partnership (Limited Partnership) (深圳慧果企業管理合夥企業(有限合夥)) and 20% by Dongguan Baiguo Biotechnology Co., Ltd.* (東莞百果生物技術有限公司), each an independent third party save for it being a shareholder of Pagoda Fruit Products.

OUR CORPORATE STRUCTURE UPON [REDACTED]

The chart below sets out our simplified corporate structure immediately after [**REDACTED**] (assuming [**REDACTED**] is not exercised):



Notes:

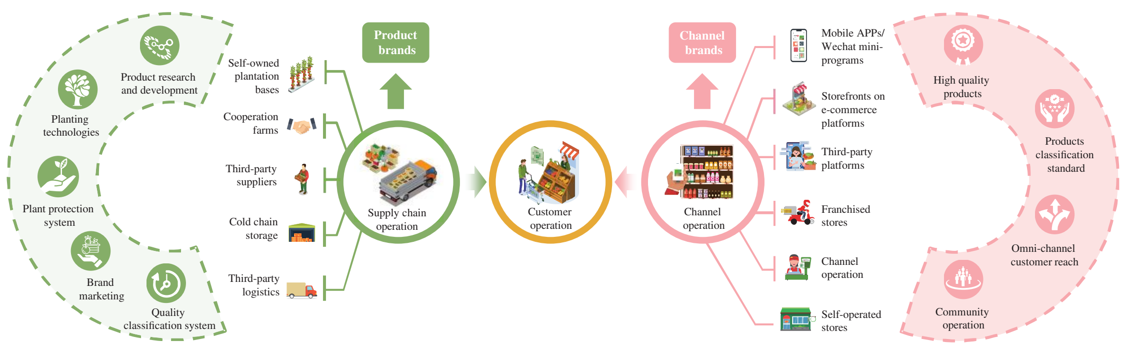
(1) Please refer to the notes (3) to (15) to the paragraph headed "Our Corporate Structure as of the Latest Practicable Date" set out above for more information.

(2) Other than [**REDACTED**], [**REDACTED**] and [**REDACTED**] Domestic Shares held by Mr. Tian Jianzhang, Zhuopu and Xinyu Shuoguo, respectively, and which will not be converted into H Shares upon [**REDACTED**], the remaining [**REDACTED**] Shares (H Shares to be converted from Domestic Shares upon [**REDACTED**]) held by the [**REDACTED**] Investors will be counted as [**REDACTED**].

(3) The aggregate of [**REDACTED**] H Shares (including H Shares to be converted from Domestic Shares) held by Mr. Huang Chuangru, Mr. Zheng Zhijian, Mr. Huang Weixiong, Mr. Su Meisong, Mr. Chen Dezhong, Mr. Li Hongwei and the [**REDACTED**] Investors, equivalent to an aggregate of approximately [**REDACTED**]% shareholding of our Company upon [**REDACTED**], will be counted as the [**REDACTED**].

Business Overview

According to Frost & Sullivan, we are the largest fruit retail operator in China in terms of total fruit retail sales value in 2021, accounting for 1.0% of total market share in China. We have a number of renowned fruit product brands and channel brands and operate the largest community-based fruit specialty retail network with OMO and store-as-warehouse features in China, providing consumers with flexible delivery services such as just-in-time and next-day delivery. Through internal development and external empowerments, we are able to exert influence and management across the entire industry chain from fruit farming to retail end. We participate in the cultivation phase to secure high-quality fruits, implement professional and standardized quality management throughout the entire industry chain, provide consumers with delicious fruits at affordable prices, and achieve high turnover and low loss rate.



As an enterprise that has specialized in fruit industry for over 20 years, led by our Chairman, we have developed a set of deep understanding, knowledge and insights into the special features of fruits and the industry itself, which we call our industry epistemology. Upon this, we have established our management system and built our core business model. We use these understanding, knowledge and insights to guide our daily operations and undertake to "offer delicious fruits and enjoyable lifestyle to people" as our duty.

We primarily focus on selling fruits. Currently, we offer over 60 types of fruits. In addition, we also sell fruit-based products, such as dried fruits and juice. We have also commenced to distribute other fresh groceries, including vegetables, meat, seafood, grains and oils and dairy products, through our mobile APPs and WeChat mini-program.

Our core business model	**Why do we choose the way?**
Establishing standardized fruit quality classification system for fruit products. . .	• Fruits are non-standard products; the foundation of a brand is the consistency of consumer experience, which is based on uniform product standards; the establishment of our standardized fruit quality classification system for fruit products is the foundation for building our fruit retail channel brands and product brands

Our core business model	**Why do we choose the way?**
Developing fruit product brands	• Fruits are suitable for branding as consumers can directly perceive the quality difference by eating fruits without cooking • Branded fruits can form competitiveness, obtain brand premium and avoid price competition in a homogeneous product market
Establishing specialty retail system with channel brands	• Fruits are suitable for specialty retail model as their relatively big ticket size, high purchase frequency and high consumer stickiness can bring high efficiency to retailers • Channel brands can form competitiveness in the retail industry and cultivate a loyal customer base through established brand recognition and reputation and *vice versa*
Community-based fruit specialty retail network with OMO and store-as-warehouse features, as well as delivery services such as just-in-time and next-day delivery	• Fruit is a fresh product with high purchase frequency, rich consumption scenarios and more flexible demand. Therefore, we provide convenience to consumer through our community-based fruit specialty retail network with OMO features, offering flexible delivery options such as just-in-time and next-day delivery, and under either option, the consumer may opt to pick up in a designated store or request for home delivery • Fruits satisfy more than functional needs, and provide emotional relevancy. In China, gifting fruits is traditionally an expression of emotional enjoyments. In-store fruit display, tasting and face-to-face sales add additional value by bringing consumers a pleasant shopping experience and stimulating consumption; it is the fundamental reason for the long-term existence of offline fruit stores • The store-as-warehouse features can improve distribution efficiency, expand the reach of stores, and reduce fulfillment cost, thus allowing us to provide good value-for-money to consumer with "delicious and affordable" products

Our core business model	Why do we choose the way?
Achieving influence and management across the entire industry chain through internal development and external empowerments	• The upstream growers in China's fruit industry are generally scattered and small in scale, lacking a standard system, the agricultural technology to cultivate high-quality fruits, and the capital resource for large-scale planting
	• What affects the quality of fruit is not only its taste, safety and planting techniques, but also its freshness when delivered to consumers, which depends on the ability to control all aspects of the industry chain
Uniform, efficient and standardized management of the franchise system. . . .	• Fruits are non-standard fast-moving products that require timely adjustments to sales and purchasing plans based on market conditions, while franchisees are the ultimate decision makers in store operations under the franchise business model, thus making this model more suitable for quick decisions and fast execution
	• Franchise business model offers an asset-lite and cost-effective approach to rapidly expand geographic coverage
	• The benefit sharing of the franchise business model provides greater incentive for franchisees to better align their interests with ours

We have built a nationwide community-based fruit specialty retail network with OMO and store-as-warehouse features. As of the Latest Practicable Date, our offline store network had 5,613 stores, covering over 140 cities in 22 provinces and municipalities, mainly in residential areas, commercial streets and other high-traffic areas. Meanwhile, we have been actively exploring online channels, providing consumers with flexible delivery options through sales channels including our mobile APPs, WeChat mini-program, storefronts on mainstream e-commerce platforms such as Tmall and JD.com, as well as on popular social commerce platforms such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me to provide instant delivery for consumers.

We are committed to becoming the go-to brand for Chinese consumers. We have established the first flavor-oriented fruit quality classification system for fruit products in China, which allows consumers to clearly distinguish the quality differences in fruits and enhances the competitiveness of high-quality fruits. We have launched the instant refund service, which enhances consumer satisfaction and trust in our brand and reinforces Pagoda brand recognition associated with high-quality fruits and services among consumers. "Pagoda" is a China Well-known Trademark and has been recognized as a Top 100 China Retail Chain Brand for multiple years. Our high-quality products and services have attracted a large number of loyal consumers. As of the Latest Practicable Date, we had over 72 million members across all distribution channels, with over 910 thousand paying members and an average of over 7 million MAU in 2021. Through our multi-level membership plans, we provide more differentiated services to consumers and tap into greater user value. Meanwhile, we obtain direct market insights through consumption data analytics, thereby further optimizing our products and services to meet different consumer needs.

Our revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, and increased by 16.2% to RMB10,289.4 million in 2021. Revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million in the corresponding period in 2022. Our gross profit decreased by 7.9% from RMB876.4 million in 2019 to RMB807.4 million in 2020, and increased by 43.2% to RMB1,156.4 million in 2021. Our gross profit margin was 9.8%, 9.1% and 11.2% in 2019, 2020 and 2021, respectively. Gross profit increased by 12.7% from RMB601.2 million for the six months ended June 30, 2021 to RMB677.4 million in the corresponding period in 2022. Gross profit margin was 10.9% and 11.5% in the six months ended June 30, 2021 and 2022, respectively.

Our Mission

Our mission is to offer delicious fruits and enjoyable lifestyle to people.

Pagoda would let more and more people enjoy delicious and affordable fruits, spread fruit knowledge and culture to them, and bring them health and happiness.

Our Vision

Our vision is to be the world's largest fruit company.

Through constructing our ecosystem and empowering our partners, we will continue to carry out the whole industry chain layout and development, striving to become the world's largest fruit company in terms of sales volume, the size of service population, and the number of fruit product brands.

Our Value

We are in a sustainable industry with a long-term prospect. Fruit is irreplaceable in the human diet. Fruit is a product of the nature and can be eaten raw without high temperature processing, completely retaining its active substances. We believe that being in the fruit business is not only to provide people with healthy, fresh and delicious fruits, but also to practice and spread the fundamental belief of revering nature and obeying the laws of nature.

We believe that a successful and great fruit company should always strive to become the iconic fruit brand with high value-for-money in the minds of consumers, and undertake the due responsibility to continuously create business value for various business partners. We offer these value propositions:

Consumers: We make it easy for consumers to enjoy fresh, safe, and delicious fruits with a wide variety and good value-for-money, providing consumers with a "delicious and affordable" pleasant experience, and leading a healthy and sustainable way of living.

Franchisees: We provide franchisees with globally sourced high-quality fruit products, as well as store location guidelines, store opening support, staff training, business operation guidance and IT support to help the business development of each franchisee partner who loves the fruit business, meanwhile assisting each store to meet our standards through daily supervision and support.

Suppliers: We have established a standard system to cultivate high-quality fruits. We promote modern planting concepts to plantation bases and fruit farmers that we partner with and provide them with advanced planting and post-harvest technology solutions to not only cultivate high-quality fruits but also contribute to a healthier environment. We assist them in branding, marketing and promotion, and further empower them through our supply chain finance and information system to increase yields, enhance efficiency and reduce costs.

Other Partners: We are closely connected with other business partners along the industry chain, including but not limited to research institutions and college departments specializing in agriculture and multicultural technologies. By constructing a vertically integrated value chain with the support of our industrial information platform, we have achieved mutual benefit and win-win situations with our partners.

Our Competitive Strengths

China's leading fruit retail operator with vertically integrated industry chain and renowned channel brands and product brands

We are the largest fruit retail operator in China, with community-based fruit specialty retail network with OMO and store-as-warehouse features, providing consumers with flexible delivery services such as just-in-time and next-day delivery. According to Frost & Sullivan, we ranked the first among all retail enterprises in China in terms of fruit retail sales value in 2021, accounting for 1.0% of total market share in China. We also ranked the first among fruit specialty retail enterprises. We have the largest offline retail network in the fruit industry in China. As of the Latest Practicable Date, our offline store network had 5,613 stores, covering over 140 cities in 22 provinces and municipalities in China. We provide convenient and diverse online shopping options to consumers through mobile APPs, WeChat mini-program, storefronts on e-commerce and social commerce platforms, such as Tmall, JD.com and Douyin, as well as storefronts on third-party food delivery platforms, such as Meituan, Koubei and Ele.me. In 2021, our total number of orders exceeded 290 million, of which approximately 23% were placed through online channels. The fruit specialty retail network with OMO and store-as-warehouse features and the high-frequency consumption nature of fruits provide us with continuous and extensive reach to consumers. As of the Latest Practicable Date, we had over 72 million members across all distribution channels with over 910 thousand paying members and an average of over 7 million MAU in 2021, and the cumulative number of users of our WeChat mini-program reached 51 million. We are the leading fruit retail operator with scale, growth and profitability. During the Track Record Period, the store retail sales, representing the sales amount of retail stores after discounts or rebates, grew at a CAGR of 7.1% from 2019 to 2021, exceeding the growth rate of 1.8% of the retail sales of the fruit retail industry in China during the same period. In 2021, our net profit reached RMB225.8 million.

Specializing in the fruit industry for more than 20 years, we have made strategic developments and have been able to exert our influence and management across the entire industry chain, which is crucial for us to improve fruit quality and achieve high turnover and low loss rate. We strategically participate in the upstream of the industry chain. By empowering our plantation base partners with agricultural technologies, IT and capital resources and by enforcing strict quality management throughout the entire growth period of fruits, we are able to cultivate high-quality fruits, improve yields, and in turn, establish a Pagoda-centered large-scale, standardized network of high-quality suppliers. We had provided various kinds of agricultural technology related services to 68 suppliers across the country by the end of 2021. In 2021, purchases from these suppliers, in dollar amount, accounted for approximately 30.3% of total purchase of fruits. On the retail end, we have the largest fruit retail network in China, providing large-scale orders for high-quality fruits, and we are able to use consumption data analytics to guide product planning, planting and purchasing on the supply end to coordinate procurement and sales.

We are one of the few companies in the fruit industry in China that have both well-known product brands and channel brands. Differentiated products and services enhance the value of our industry chain, and bring us the pricing power and the capability to continuously improve profitability. We continue to develop and reserve high-quality fruit sources through the management over the entire industry chain, and achieve large-scale planting and procurement of high-quality fruits. Sales of fruits under Excellent and Grade A categories accounted for approximately 70% of the total store retail sales of Pagoda stores, including self-operated stores and franchised stores under our Pagoda channel brand, in 2021. As of the Latest Practicable Date, we had successfully introduced to the market 31 self-owned product brands that are exclusively distributed by us in China under our Excellent and Grade A categories. Such products have competitive advantages and stable quality and supply, such as Red Ballerina strawberry, Mi Clan Chinese gooseberries and Liangzhi apple, which were well received among consumers. Sales of these branded fruits accounted for approximately over 8% of total fruit sales of Pagoda stores in 2021, and contributed to an increase in prices and profitability. In 2021, the retail price of our own branded fruits was on average twice as high as the retail price of Grade B fruits of the same type. According to Frost & Sullivan, "Pagoda" was the largest fruit channel brand in China by number of stores in 2021. We have launched the instant refund service, which enhances consumer satisfaction and trust in our brand and reinforces Pagoda brand recognition associated with high-quality fruits and services among consumers. "Pagoda" is a China Well-known Trademark and has been recognized as a Top 100 China Retail Chain Brand for multiple years. Our brand has won the recognition of leading global fruit companies. We were well recognized by Zespri Fruit (Shanghai) Co., Ltd., or Zespri, for many years and was awarded by it as the Best Retailing Customer in 2019, and Pagoda has been recognized as a top-ranked retail channel in terms of sales volume by Zespri for successive years from 2017.

Efficient vertically integrated industry chain built on a standardized system and empowerments through agricultural technologies, IT and capital resources

We have consolidated quality resources across the industry chain, from planting, purchasing, warehousing, logistics to retail. Instead of exerting full and direct control over each part of the industry value chain by acquiring equity interest in entities across the industry value chain, we aim for a vertically integrated industry chain through self-development, long-term cooperation, and agricultural technology, IT and capital empowerment. Through our standardized fruit quality classification system and IT empowerments, we have been able to maintain consistent quality from supply to retail end and efficiently coordinate procurement and sales. We believe that an efficient industry chain is an important foundation for us to provide consumers with delicious fruits from around the world and bring them pleasant consumption experiences. In terms of fruit quality management, leveraging our deep insight into the industry chain and consumer needs, we have formulated fruit quality classification standards, and have further set up professional and standardized quality management systems along the industry chain from planting, purchasing and post-harvest processing, warehousing and distribution to store sales. Our quality testing centers and quality control team, traceability system and mystery customer supervision system help us ensure the implementation of our quality management system and consistent quality of fruits across the entire industry chain. In terms of procurement and sales, we rely on our strong retail network and consumption data accumulation and analysis, and through smart procurement and dynamic sales analysis supported by big data analytics, to guide our procurement team's decision making in a timely manner. Meanwhile, through our close cooperation with a large number of upstream suppliers and our industrial information platform, we have been able to conduct relatively accurate data analysis on the supply side. Through management over the entire industry chain, we are able to efficiently connect the supply and retail end to effectively meet market demand, reduce the losses caused by procurement and sales mismatch, and achieve efficient coordination of procurement and sales across the industry chain.

By integrating and optimizing the industry chain and through digitalization, we continue to improve turnaround speed, reduce distribution costs and enhance overall channel management efficiency. China's fruit industry has a long industry chain with an average of more than five distribution layers between place of origin and end consumers, and coupled with a low cold chain coverage rate in the fruit and vegetable industry, and a relatively high cumulative loss rate across the industry chain. Our procurement platform connects directly with upstream planting enterprises and high-quality suppliers. During the Track Record Period, in terms of dollar amount, purchases of fruit products from the public market for stock replenishment purposes accounted for approximately 29%, 22% and 19% of total purchases of fruit products in the years ended December 31, 2019, 2020 and 2021, respectively. By vertically integrating supply chain and reducing distribution layers, we are able to improve distribution efficiency. Equipped with whole-process cold chain logistics capabilities, we are able to use proper temperatures tailored for fruits of various types during transportation to reduce losses. By digitizing the key areas in purchasing, warehousing, logistics and retail, we are able to grasp timely the supply and demand situation from procurement to store end as well as the inventory-to-sales ratio to achieve efficient channel management.

By building an ecosystem in the fruit industry and leveraging the power of our ecosystem partners, we are able to complement each other's competitive advantages and form strong connections between Pagoda and ecosystem partners through the empowerment of agricultural technologies, IT and capital resources. The fruit industry in China has long been scattered by growers and lacking in planting standards and scale, while cultivating high-quality fruits requires advanced technology and large capital investment. Through the empowerment of agricultural technologies, we help our upstream partners establish professional and systematic planting systems, such as assisting and guiding them to adopt domestic and foreign advanced planting technologies, plant protection systems, post-harvest technologies, artificial intelligence and other technological means to cultivate high-quality fruits and improve yields, output stability and operational efficiency. As of the Latest Practicable Date, we had leading post-harvest processing technology and a professional procurement team of 240 people, which enable us to optimize and refine the management of fruit picking periods at the plantation bases of our partners to improve harvesting efficiency and reduce losses. We have provided various kinds of agricultural technology related services to 68 suppliers across the country by the end of 2021. In 2021, purchases from these suppliers, in dollar amount, accounted for approximately 30.3% of total purchase of fruits. We also provide various training and consulting services on comprehensive topics including industry intelligence, plantation and post-harvest technologies, quality standards, branding and marketing solutions.

We have accumulated strong IT capabilities and established our industrial information platform, which not only streamlines information from our distribution centers and retail stores, but also connects to our suppliers and enables information exchange. As such, we are able to ensure the transparency and consistency of information across our industry chain and further utilize such information to navigate our operations, such as procurement planning. Moreover, our industrial information platform benefits the participating suppliers by means of providing feedback on the sales volume, quality and market demand of their products, which is valuable information for plantation bases and fruit farmers to improve and plan their future operations.

Through capital empowerment, we have established strategic partnerships with dozens of plantation bases and agricultural technology companies in the form of joint ventures and equity investment to exert our influence over quality resources across the industry chain. On one hand, capital investment helps our partners strengthen their business; on the other hand, it enables us to control quality resources through strategic agreements and ensure the stability of quality supplies. At the same time, based on our strict fruit quality classification and pricing system at the procurement side, we are able to give sufficient premiums for high-quality fruits and attract more quality suppliers to join our system, thus building the foundation for our sustainable development.

As such, we believe that in order to establish a vertically integrated industry chain, it is not necessary to directly own entities across the industry value chain, such as plantation bases. Rather, it is our unique strength and strategy by deepening our empowerments and enhancing the influence and management across the entire industry chain.

Leading fruit brand portfolio enabled by advanced fruit quality classification system and established product brand incubation system

We have pioneered in China in establishing a comprehensive and systematic written flavor-oriented 4-grade fruit quality classification system for fruit products. Consumers can directly perceive the quality difference by eating fruits without cooking. Fruits with consistent good taste can lead to consumer stickiness and lay a solid foundation for product branding. We believe that the delicacy of fruits includes multiple aspects such as flavor, safety and eco-friendliness, which are the primary assessment criteria for fruits and the value that consumers are most concerned about. Leveraging our long-term insights into the industry and consumers, we have developed our proprietary system with key metrics including sweetness and sourness, freshness, crispness, softness, flavor and safety that allow us to rate and classify fruits in detailed quantitative scales, setting out an objective standard to determine the degree of delicacy of fruits. Accordingly, we rate and label our fruits under four categories, namely Excellent (招牌), Grade A, B and C, with different prices catering to different consumers.

We have an established product brand incubation system. Through empowerment of the upstream and strong channel and brand marketing capabilities, we have successfully built our own product brands with competitive advantages. Based on the fruit quality classification system for fruit products, we establish production standards for high-quality fruits, and have been deeply involved in plantation to promote modern planting concepts and planting and post-harvest technologies to plantation bases that we partner with. We provide multi-faceted technical guidance from improving orchard ecology, seed selection and breeding, planting and harvesting to nutrition management, as well as strict quality management, to help plantation bases cultivate high-quality fruits and increase yields. We also offer capital empowerments to expand the production scale of quality bases and obtain preferential purchase rights of high-quality fruits to secure large-scale supply; at the same time, we guide the plantation bases to conduct continuous variety improvement and innovation as well as planting planning based on our consumer insights and market demand information accumulated from our extensive sales network. As of the Latest Practicable Date, we had successfully introduced to the market 31 self-owned product brands that are exclusively distributed by us in China under our Excellent and Grade A categories. Store retail sales of our branded fruits amounted to RMB1 billion in 2021, accounting for over 8% of total fruit sales of Pagoda stores in 2021. Among them, the store retail sales of six branded products exceeded RMB50 million in 2021, including Red Ballerina strawberry and Yake prune.

In terms of sales, we make coordinated planning from product positioning, brand design, to marketing and promotion, to create product brands. We are able to generate significant brand attention through our strong brand communication capabilities and quickly penetrate the national market with our extensive retail network, forming an interactive online and offline sales promotion to rapidly increase brand awareness. We launched Red Ballerina strawberry in January 2019 and quickly established its market awareness through multi-dimensional brand marketing. In addition to advertising and promotional activities tailored to target consumers through social media, we also held a number of branding activities on the Valentine's Day to form emotional resonance with target consumers, including a large-scale thematic marketing campaign called "Heartwarming Red Ballerina" to amplify the emotional attributes of Red Ballerina strawberry, whose short video received more than 5 million hits on major domestic media platforms and the WeChat topic viewership exceeded 17 million. Meanwhile, we launched in-store themed displays and creative strawberry bouquets through our extensive sales network, interacting closely with online themed marketing to deepen the brand image of Red Ballerina strawberry. In the strawberry season of 2021, we further enhanced consumers' awareness and trust in Red Ballerina strawberry through multi-channel and content-rich marketing activities such as live broadcasts from place of origin and short videos, festival-themed promotion, movie IP co-branding and in-store promotion.

Successful fruit product brands not only effectively enhance consumer stickiness, but also create greater room for profitability through brand premiums. We replicated our success in the fruit business and have registered Panda.F brand to promote our fresh groceries business.

China's largest community-based fruit specialty retail network with OMO and store-as-warehouse features and a large and loyal consumer base driven by strong membership operation capability

We have the largest community-based fruit specialty retail network in China with OMO and store-as-warehouse features, providing consumers with a highly convenient consumption experience. In an increasingly busy urban life, the "convenience" of consumption is particularly important for products of high purchase frequency such as fruits. The offline retail stores are mainly located within 15-minute walk from our target end consumers and are part of our end-consumers' community life circle, with significant advantages such as certain path dependency, ease to meet the personalized needs of consumers in the community and flexibility and low cost in store opening. Our smart location identification system can integrate parameters such as changes in the surrounding shopping district, customer traffic and spending power, helping us to advise our franchisees to efficiently and precisely identify their stores in communities with high density of residents and strong consumption. As of the Latest Practicable Date, our offline retail store network had 5,613 stores located in high-traffic areas such as residential areas and commercial streets in over 140 cities. We are also rapidly expanding online channels, providing consumers with home delivery and in-store pickup services for online orders through sales channels including our online mobile Pagoda APP, WeChat mini-program, storefronts on e-commerce and social commerce platforms such as Tmall, JD.com, and Douyin, and storefronts on third-party food delivery platforms such as Meituan, Koubei and Ele.me to further enhance convenience and consumer experience.

Offline retail stores operate with an efficient store-as-warehouse feature, enabling in-store pickup and home delivery services under our just-in-time and next-day delivery options. Fruit is one of the fresh groceries which product display and face-to-face sales could add the most value to. Through in-store displays, face-to-face sales and tasting activities, we create a strong fruit retailing atmosphere and stimulate consumption. We provide professional staff training for our franchisees, and as of the Latest Practicable Date, we had over 24,000 talents, mainly the employees of our franchisees, with enthusiastic service attitudes and professional marketing techniques working on the front lines to interact with consumers; at the same time, we implement "store-as-warehouse" strategy to achieve fast store-to-home delivery with a commitment to delivering in as fast as 29 minutes. We offer differentiated products to customers opting for home delivery or in-store pickup services to effectively increase purchase frequency and coverage of consumers in the community, while encouraging consumers through social marketing and group promotions to place orders on mobile APPs, WeChat mini-program and third-party platforms and pick up in stores to enhance cross-selling.

We have an extensive consumer reach and build a large and loyal user base through close interaction with consumers both online and offline. In 2021, our average daily orders exceeded 795,000 and purchases from our members accounted for approximately 73% of our total in-store and online sales. The average MAU in 2021 was over 7 million. As of the Latest Practicable Date, our total membership exceeded 72 million. We value the family culture, and through close interaction with consumers in our stores and community WeChat groups, as well as home delivery services, we have established community stores, which not only serve as an emotional bonding with consumers in the community, but also greatly enhance the brand recognition of Pagoda among target consumers by the good publicity effect. Currently, we have guided store managers to establish over 49,800 community WeChat groups, pushing interesting and interactive product promotions and membership activities, and interacting and communicating with over 8.5 million community WeChat fans in real time. We also leverage social media, such as Douyin and Weibo, to capture online traffic and expand our consumer base through live streaming and short video. As of the Latest Practicable Date, we had approximately 10.6 million WeChat fans following our official account, 1.7 million Douyin fans and 332,400 Weibo fans.

Through multi-level membership plans and consumption data analytics, we conduct integrated online and offline delicacy operations based on the different stages of membership life cycle to provide our members with personalized services and enhance member loyalty. As a result of our more differentiated products and services, monthly purchase frequency and consumption in 2021 of our paying members were approximately 140% and 160% greater, respectively, than those of our non-paying members. Through multiple channels such as mobile APPs, WeChat mini-program, community WeChat groups, WeChat moments and SMS, we are able to reach users with precision and make personalized product recommendations to achieve effective member maintenance. In addition, through our home delivery services, we can effectively divert our store members to online, convert single-channel consumption to omni-channel consumption, and launch a richer product portfolio to meet diversified consumption needs. In 2021, the overall repurchase rate of our members reached 49%, ranking the first among fruit specialty retail operators, according to Frost & Sullivan.

Highly replicable franchise model backed by a strong brand, supply chain and operational support with a rapidly expanding franchised store network

We have strategically built our franchise business model with a high degree of autonomy, a strong support system and a management mechanism. We believe our success is based on the healthy development of our franchisees. We consider our franchisees as our business partners and have established mutually beneficial relationships. We have partnered with leading international franchise industry consultants to optimize our franchise business model and focus on enhancing the self-initiative of franchisees. We carefully select franchisees with entrepreneurial spirit and full appreciation of the fruit industry and our core values as partners, and through operational support and comprehensive management system, we ensure that franchisees actively participate in the day-to-day operation and management of stores and continue to improve customer service, quality management and loss management. We implement gross profit based incentive mechanism with our franchisees to give them greater incentive to increase efficiency and reduce costs.

We provide our franchisees with strong brand, supply chain and operational support, creating a favorable entrepreneurial platform for many who dream of starting their own business. Prior to store opening, we help interested franchisees make overall planning and choose the optimal store location through our smart location identification system, and provide franchisees with store design and a series of other supporting services. At the beginning of store opening, we provide free coaching for store managers to help franchisees become fully familiar with the daily operation of the store, and we have an established franchisee training system to provide comprehensive and regular training for store managers and staff to train and reserve talents for franchisees. In daily operation, we assign regional operation and supervisory managers to stores to provide guidance on store operation and management. We have established a district-based operation system, based on the dynamic data of the surrounding shopping districts in which the stores are located, we provide personalized product portfolio, pricing and promotional activities for stores through our smart ordering system to help franchisees achieve delicacy operation of stores and reduce their operational difficulties, and allow franchisees to grasp the operation status of their stores in real time through our store assistant information system. We provide strong support in brand promotion and marketing, such as special marketing programs on festivals, holidays and special event days to help franchisees carry out multi-channel promotion. Our expertise in cultivating high-quality fruits at the planting side and strict quality management throughout the industry chain provide a strong guarantee for product quality, which is the foundation of store operations. We encourage cross-learning and healthy competition among franchisees. By setting up exemplary stores, we share good operation and management practices of well-performing franchisees with others, and continuously improve the overall competitiveness of our franchise system.

We implement highly uniform operation management guidance for franchisees to achieve standardized operation of stores to ensure product quality, consumer experience and the healthy development of franchisees. In daily operations, our regional supervisory managers conduct regular inspections on stores, including store appearance, product display, freshness and pricing. We also hire a third party to conduct random inspections on stores through mystery customers, which is included in our franchisee evaluation system. On cash flow control, we connect stores' cash settlement system with the headquarter. Sales proceeds from stores are collected by us and settled monthly with franchisees.

Great product freshness, safety and low loss rate enabled by quality control over entire industry chain and a systematic and efficient warehousing and logistics system

We have established a professional and standardized fruit quality control system across the entire industry chain from orchard to store, creating an advanced freshness and loss control mechanism. Our quality control system is centered on fruit sales standards, and complemented by purchasing, warehousing, distribution and store standards throughout the industry chain. At the planting side, we strictly manage the ecological environment of the orchard and the entire growth period of fruits, promote scientific and sustainable planting methods, and strive to produce natural, delicious and safe fruits. At warehousing stage, we implement delicacy management by fruit types and by batches based on the attributes of the fruit to ensure that the fruit meets our uniform standard upon shipping. To ensure the stability and safety of our fruits, we conduct qualitative sample testing of pesticide residues on each truckload before acceptance, and conduct quantitative testing of each fruit type at our quantitative pesticide residue testing centers in each region to analyze in depth the amount and type of pesticide residues. During transportation, we take into account many factors including temperature and humidity, even the speed and layout of the vehicle. Through continuous optimization of operation details, we maintain the quality and freshness of fruits from warehouses to stores, while improving the efficiency and accuracy of the delivery. On the sales side, our smart product freshness management system sets the selling time for each product according to its shelf life, which helps stores make timely price adjustments and promotional strategies to reduce losses and ensure the quality and freshness of fruits to consumers.

Through systematic procurement planning and real-time inventory-to-sales management, we can effectively match the procurement and sales sides to achieve fast sales of fruits. From the procurement side, we set up a periodic centralized procurement plan based on historical sales and future sales expectation, and adjust timely the procurement strategy through our diversified purchase channels based on actual store sales. From the sales side, we use our information system to grasp in real time store sales information and inventory stock in transit, in storage and in store, so that we can adjust store sales strategy timely and improve our procurement precision to better capture market opportunities. The two-way management between procurement and sales enables us to efficiently coordinate supply and demand, while improving the operational efficiency of the industry chain and reducing losses.

We have established an efficient warehousing and cold chain logistics system based on the special features of fruits. Our nationwide cold chain warehousing and logistics capabilities put us in a leading position in the fruit retail industry. As of the Latest Practicable Date, we and our regional dealers operated a total of 29 preliminary processing and distribution centers nationwide, with an aggregate floor area of approximately 194,733 sq.m. In terms of floor area, approximately 34% of our preliminary processing and distribution centers are cold chain enabled with a maximum cold chain coverage of single distribution center of up to approximately 97%. We monitor the ripeness and freshness of fruits in the whole process from warehouse entry to exit, and we set up different temperature zones to adopt differentiated management of fruits of different types such as temperature and humidity. Through systematic warehouse planning and daily delicacy operations, such as controlling different temperature zones according to local seasonal temperature changes or fruit life cycle and optimizing the frequency of inbound and outbound shipments in different temperature zones, the unit energy consumption of our warehouses is much lower than the industry average. We have deployed automation of all-category fruit sorting and packing in our pilot large Level A warehouse, significantly improving the efficiency of warehouse operations while reducing labor costs and human errors.

Success led by experienced management with strong corporate culture

Our founder, Mr. Yu Huiyong, has focused on the fruit industry for more than 20 years, and has a very deep insight into the industry and a clear strategic plan for the long-term development of Pagoda. It takes time and patience to cultivate high-quality fruits, and it is Mr. Yu's unwavering commitment to the fruit industry that enables us to concentrate on the planting side and provide high-quality products to consumers. Our management team has extensive operational and management experience in retail, e-commerce, finance and information technology. With Mr. Yu and Pagoda's values at the core, we have formed a close leadership team with strong execution capabilities. Through over 20 years of continuous development, we have established a sustainable business model that can create a pleasant consumption experience for consumers at an optimized fulfillment cost, so as to promote the development of the fruit industry. Our general manager, Ms. Xu Yanlin, has nearly 20 years of experience in retail and is responsible for our overall development and operation; our founding partner and vice chairman, Mr. Tian Xiqiu, has been working in fruit supply chain for many years and is familiar with fruit plantation bases and trade markets at home and abroad; our executive deputy general manager, Mr. Jiao Yue, has been working in e-commerce for 10 years and is responsible for our retail network operation and management; our deputy general manager, Mr. Gong Jianming, has nearly 20 years of experience in retail and is responsible for the optimization of our franchise system and development of franchise network; our deputy general manager, Mr. Xu Yongjian, has been working in IT for 20 years and is responsible for the construction of our industrial information platform. We also have a professional fruit purchasing team, led by our deputy general manager, Mr. Zhu Qidong, who joined us at the very early stage of Pagoda and has extensive experience in purchasing and front-line operations.

The culture of "altruism" and "trust" is the foundation of our development and is the reason why we are widely recognized by the industry and consumers. Since 2009, we have made a solemn promise of instant refund to consumers if our products do not taste good, to protect consumers' interests and create a pleasant consumption experience. For more than 10 years, we have been keeping our promise, and our trust in consumers has won their trust and loyalty in the Pagoda brand. We aim for long-term cooperation, and through agricultural technology and capital empowerment, we help the plantation bases cultivate high-quality fruits, increase production and sales, and create greater market value. We provide comprehensive support to our franchisees in terms of information system and daily operations to enhance their competitiveness and create a healthy growth environment for them. Through "altruism" and mutual trust between Pagoda and our stakeholders, we are working together to promote the healthy development of the fruit industry.

We highly value our corporate social responsibility and actively participate in public welfare. Since 2014, we have set up professional planting technology teams to provide fruit farmers in poor counties with scientific planting concepts and modern agricultural technology, secure the sales of their fruits by order purchase, and help lift poor counties out of poverty through business development. In 2020, our founder, Mr. Yu Huiyong, won the "Agricultural Brand Influencer" award, and Pagoda won the "Industrial Poverty Alleviation Model" award. After the outbreak of the COVID-19 in 2020, we worked hand in hand with our overseas and domestic partners to donate medical and living materials and fruits to more than ten cities and a dozen of groups, including hospitals, communities, and medical teams. In 2021, we carried out the charitable activity of caring for left-behind children, and cooperated with Zespri to build classrooms for children to help the development of education in impoverished mountainous areas.

We attach great importance to the development and retention of talents to support the sustainable growth of Pagoda in the future. We have a comprehensive talent training system for the Group and our franchisees, with Good Fruit School (好果子大學堂) as the core, to develop all-round talents in key aspects of management and operation. Campus recruitment is an important way for us to acquire talents, and we have three major talent training programs: Eagle (雛鷹), Nucleus (果核) and Spark (星火), focusing on developing talents in various fields of general management, upstream planting and market operation. Through all-round talent training, we build a high-quality talent pool that resonates with our core values.

Our Business Strategies

Continue our layout in upstream industry chain, strengthen the core competitive advantages of our products, expand the categories of fruit business, and cement our leading industry position

We will continue to increase our layout at fruit planting, empowering plantation bases through agricultural technology, IT and capital resources to cultivate high-quality fruits, secure high-quality fruit sources, develop fruit product brands, and strengthen the core competitive advantages of our products. We will increase our R&D investment in various technical fields such as ecological improvement, variety improvement, planting and plant protection and post-harvest processing, and partner with domestic and foreign fruit industry experts, universities and institutions, and by bringing in advanced planting concepts and technologies from Taiwan, Japan and Europe and through our continuous exploration at the planting side, continue to provide our upstream plantation base partners with advanced technologies and practical experiences that are more suitable for the development of fruit industry in China.

We will continue to strengthen our ability to incubate fruit product brands and develop more of our own high-quality product brands to enhance consumer stickiness and our profitability. By continuously improving our fruit quality classification system for fruit products, and enhancing our upstream capability to cultivate high-quality fruits as well as our distribution and brand marketing capabilities, we will accelerate the launch of new fruit product brands such as honeydew melon, honey pomelo, lychee and small tomatoes to comprehensively cover major popular fruit categories, so as to further satisfy the diversified demand of consumers in China for quality fruits.

With fruits as the core, we will accelerate the promotion of fresh-cut fruit business to expand into more diversified consumption scenarios such as afternoon tea, late night snack and party catering. To further optimize our product mix and take full advantage of our supply chain capability of high quality fruits, we have commenced to, and will continue to, develop, produce and sell various fruit-based products with high profit margin, such as dried fruits, fruit juices and frozen fruits. We have established a deep processing factory in Dongguan, and is currently constructing a second deep processing factory in Shanghai, which is expected to be completed in the near future.

In addition, we will further integrate resources at the production areas, gradually open up our fruit supply chain, expand our fruit business-to-business, or 2B fruit business, into supermarkets, fruit chain stores, restaurants and others to enhance our scale advantages, reduce procurement costs and expand our market share. For different channels, we will establish clear fruit selection principles and fruit standards, along with corresponding marketing strategies, to meet the differentiated needs of different channels.

Further enhance our supply chain layout and optimize our warehousing, logistic and quality control system

We will continue to expand and upgrade our network of preliminary processing and distribution centers to improve core metrics such as unit storage area, number of stores covered and average daily delivery volume to support the expansion of our franchised store network and the rapid growth of our 2B fruit business and quality fresh grocery business. We will also upgrade the warehouse and transportation management system, further implement automated management and explore automated warehousing system to improve warehousing and logistics efficiency and reduce costs. Furthermore, we intend to establish specialized processing factories near places of origin for selected core products. We will also provide advanced post-harvest processing technologies, fruit quality classification system, automated packaging capabilities for various sales channels which are tailored to such individual core products. We believe the penetration in upstream supply chain will allow us to involve in the process of stabilizing product quality and incubating self-branded products at an early stage.

We will continue to improve our quality control system, and through our own research and development, investment or cooperation with global leading companies and institutions, increase our investment in technological research and development and equipment for harvesting, post-harvest processing and warehousing and logistics, so as to improve our quality inspection and management technology in purchasing and quality control, especially the preservation technology, strengthen and expand our technological advantages in fruit preservation in warehousing and distribution and at the stores, and further establish our technological advantages in preservation of other fresh groceries. We will also improve the cold chain technical requirements for suppliers and third-party logistics companies, and establish preservation and digital standards of fresh groceries such as fruits and vegetables according to different sales channels, so as to strengthen our control of the freshness and quality of products and further reduce the loss rate.

With the increase of our product categories, we will continue to optimize store layout and implement store-as-warehouse features. We will use stores as our frontline warehouses for online orders to achieve fast delivery of products from store to home, thereby enhancing our quick response capability.

Continue to expand our distribution network and channel brands

We will continue to expand the breadth and depth of our distribution network through continued penetration into low-tier cities, further expansion of stores in existing cities, and nationwide geographic expansion to achieve more effective and in-depth consumer reach. Low-tier cities in China have relatively high markup due to the smaller purchasing scale, more layers of distribution and higher loss rates of local stores. Consumer demand for high-quality fruits with good value-for-money is increasing along with the improvement of consumption power, creating significant market opportunities for us. In 2021, nearly 43% of the new franchised stores supervised by us were opened in third-tier cities and below, and the proportion of new stores in lower-tier cities will be further increased in the future. In order to adapt to the markets in lower-tier cities, we have launched a store format with simpler decoration style to reduce the initial investment cost of franchisees and also adjusted the product mix through certain local procurement in light of the local market conditions, to reduce logistics costs and improve store profitability. As of the Latest Practicable Date, there were 3,022 franchised stores supervised by us located in first- and second-tier cities. The number of franchised stores supervised by us in first- and second-tier cities increased at a CAGR of approximately 3.6% from 2019 to 2021 with large room for future expansion. We plan to further penetrate our existing markets, especially in high-traffic areas such as communities, major commercial districts and shopping centers, and launch various types of stores such as experience stores, high-end stores and general community stores to cover diversified consumption scenarios according to local conditions. In addition, we also plan to replicate our successful operation model and system in existing markets to new regions with growth potential to achieve nationwide development of our distribution network.

We plan to develop regional fruit retail channel brands and implement our multi-brand strategy through strategic partnerships supplemented by minority investments. We believe that by differentiating our positioning through different channel brands in regional markets to cater to more consumer groups, we will be able to increase our market share and coverage of consumer base. We are currently developing four regional channel brands in China. In the future, we will help regional channel brands to expand rapidly in the local market through the supply chain, information system empowerment and franchise model of Pagoda and provide local consumers with high-quality products and services according to the Pagoda standard.

Leverage our supply chain and channel advantages to accelerate the expansion of fresh grocery business

China's fresh grocery market is enormous in size, but faces a few challenges such as unstable quality, lack of standard, excessive layers of distribution, high markup, low efficiency and high loss rate. According to Frost & Sullivan, the market size of China's fresh grocery retail industry reached RMB5.6 trillion in 2021 and is expected to reach RMB8.5 trillion in 2026. Considering the similarity between vegetables and fruits, and the similarity and overlap in supply chain management and operations, we will replicate our successful experience in fruits and continue to expand our product categories in the fresh grocery business by leveraging our technological advantage and extensive experience in upstream planting. We will continue to improve and integrate the supply chain system of fruits and vegetables, establish the production, sales and quality control standards for each fresh grocery product category, increase the sales contribution of our own Panda.F brand and accelerate the penetration of our fresh grocery business in the national market through our comprehensive warehousing and logistics network and OMO sales network. We strive to make Panda.F a leading brand in the fresh grocery category.

We adhere to the business model of "offering specialty offline and variety online", and will continue to focus on fruits and fruit-based products business offline and provide more fresh grocery products including fruits online to extend our service boundaries. As fresh grocery consumption is generally planned, we will use Pagoda's supply chain and logistics system through our next-day delivery pre-order model to improve delivery efficiency and reduce fulfillment costs. Our store network is close to the community, providing convenience to consumers to pick up in-store, while using stores as warehouses to achieve fast delivery from store to home. Currently, for our fresh grocery business, "in-store pickup" orders account for approximately 70% of total orders, which is beneficial to drive fruit retail business in stores. In addition, the fruit sales under "next-day delivery" model, mainly in whole and small packages, effectively complement the fruit sales in stores, which can meet more diversified consumer needs while maintaining the interests of franchisees to a certain extent. Since its launch, the fresh grocery business has been well received by consumers. In addition to the fresh grocery category, we will also increase our research and development and sales of prepared food, children's food and healthy processed food in the future.

Continue to expand and optimize our OMO operation model

We believe that a high degree of integration between our online sales platform and offline store network is the key to the success of our retail system. We will provide our consumers with an integrated and highly convenient consumption experience by enhancing our capabilities such as online and offline operations, customer acquisition and maintenance, as well as retail innovation.

We will continue to broaden our online traffic and coverage of consumer groups through online channels and cooperation with third-party e-commerce and social commerce channels, and expand our membership base. Offline we will make full use of the customer acquisition capabilities of our community stores, continue to optimize community marketing operations, and combined with online channels to strengthen personalized products and promotions to achieve efficient sales conversion and member maintenance. In addition, we will continue to optimize the product portfolio of online and offline platforms and promote omni-channel consumption through differentiated high-quality products and services.

We will continue to invest in the innovation of retail models and explore new sales methods of fresh grocery products to improve consumption experience, such as unmanned sales through vending machines, launch of periodic order model, and offer unique product mix according to different sales models to expand online and offline consumption scenarios. At the same time, we will continue to upgrade our existing stores, such as creating recreational areas in stores and adding adjacent products and services to further enhance consumers' in-store experience.

Accelerate the digitalization of our whole operation and industry chain through IT investments and empowerment

We plan to continue to invest in IT research and development and upgrade, and through the technological empowerment of all links of the industry chain, to promote the digitalization of our business and improve the operational efficiency and synergy of the entire industry chain.

Specifically, we will focus on the development of the following business process application system:

- **Planting:** We will continue to optimize the digital management system in upstream planting and strengthen the smart application of agricultural data to achieve accurate forecast and precision management of the yield and quality of fruits and other fresh groceries at the plantation base, and improve the efficiency of technicians;

- **Procurement and supplier management:** We will continue to improve the supplier trading platform, combined with the information forecast model to achieve real-time synchronization of inventory and sales data, and accurately monitor product quality and loss rate in procurement, warehousing and logistics;

- **Stores:** We will continue to enhance the digital capabilities of store operations, strengthen the district-based delicacy operation of stores, and further promote the digital operation management system of store operations, including smart ordering, smart pricing, smart dynamic sales management, key operation indicator prompts, etc., to improve store operational efficiency;

- **Member marketing:** We will continue to promote the digital operation of our members and integrate online and offline information resources to achieve real-time analysis and application of members' full life cycle consumption data, and strengthen our online and offline service capabilities to enhance the lifetime value of members;

- **Procurement and sales:** We have fully updated Pagoda ERP system to the second-generation self-developed system and will continue to carry out system upgrade and optimization, to further improve smart ordering and dynamic sales management and strengthen end-to-end fast connect and data analysis capabilities.

In addition, we fully recognize that IT investment and industrial information platform construction are crucial to the efficiency improvement of the entire industry chain. For our fruit and fresh grocery ecosystem, we plan to build a middle-office system that connects with our partners in the industry chain to promote the informatization of our partners' business operations through system development and resource sharing, and gradually bring in all participants from planting to sales end to achieve interconnectedness of business operations and data sharing among all parties, so as to realize the informatization and synergy across the entire industry chain and improve its overall efficiency.

Pursue appropriate strategic investment and acquisition opportunities to strengthen our industry chain layout

We firmly believe that strong management over the industry chain is key to build the competitive barriers for fresh grocery brands. Establishment of standards and management in planting and the control of post-harvest processing and logistics standard in warehousing and distribution is the core element to develop high-quality fresh grocery products. Therefore, it is our long-term strategy to build a platform-oriented enterprise. We will build an ecosystem with Pagoda as its core through investment and self-development. On one hand, we will acquire leading technologies in breeding, planting, plant protection and post-harvest through investment and acquisition of suitable targets to strengthen our ability to cultivate high-quality fresh grocery products and to incubate product brands; on the other hand, we will implement multi-brand strategy through integration of channel brands to enhance consumer reach:

- in respect of fresh grocery supply chain and brand incubation, we completed direct investment in 13 fruit-focused suppliers during the Track Record Period up to the Latest Practicable Date to expand our layout in fruits such as apple, kiwifruit and strawberry. We also invested in fruit brand management companies to enhance our incubation capabilities in high-quality fruits;

- in respect of planting and post-harvest processing technologies, we directly invested in five enterprises during the Track Record Period up to the Latest Practicable Date to explore the application of smart agriculture and the improvement and transformation of planting technologies.

In the future, we will continue to 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 existing products and channels. As of the Latest Practicable Date, we did not identify any specific acquisition target.

OUR PRODUCTS AND BRANDS

Fruits

We distribute a variety of fresh goods with a primary focus on fresh fruits. We currently offer over 60 types of fruits during the year. Our offerings range from common fruits to rare seasonal fruits, covering various types including melons, citrus, berries, drupes and so on. Fruits are available in the forms of pre-packaged whole fruits and fresh-cut fruit bowls. In addition, we also offer dried fruit snacks and fruit juice products.

Other Fresh Groceries

Given the fact that certain other fresh groceries and fresh fruits share a lot of natural characteristics and the patterns of their supply chain management and retail operations are relatively identical, we have duplicated our successful experience in fruit retail industry to other fresh groceries.

We currently distribute a variety of other fresh groceries including non-standard items, such as vegetables, fresh meat and seafood products, and pre-packaged standard items such as grains and oils, dairy products and others, such as frozen food, covering over 100 types of other fresh groceries during the year.

We deploy a business model by offering specialty offline and variety online, continuing to focus on fruit and fruit products business offline, and providing more fresh grocery products online to extend our service boundaries. Since purchasing of such other fresh groceries is more likely to be a decision of planned buying, we adopt the online pre-order model. Consumers place orders with our online channels, mainly our Pagoda mobile APPs and Pagoda WeChat mini-program, to purchase hand-picked fresh groceries, which are fulfilled by next-day delivery, and consumers may opt to pick up at a designated retail store or request for home delivery. This approach offers convenience to consumers and allows us to assess demands and make procurement and logistic arrangements subject to the orders received.

The table below sets forth a breakdown of the revenue contribution derived from sales of products by our major product types during the Track Record Period.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Fresh fruits	8,448,076	96.5	8,329,487	96.4	9,485,163	95.0	5,164,156	96.2	5,449,333	95.1
Dried fruits	268,860	3.1	230,603	2.7	303,163	3.0	113,525	2.1	127,110	2.2
Other fresh groceries	32,890	0.4	76,724	0.9	203,432	2.0	89,469	1.7	154,250	2.7
Revenue derived from sales of products	8,749,826	100	8,636,814	100	9,991,758	100	5,367,150	100.0	5,730,693	100.0

Proprietary 4-Grade Fruit Quality Classification System

We are committed to cultivating, sourcing and selling high-quality fruits at affordable prices. We have developed a proprietary flavor-oriented 4-grade quality classification system for fruit products which is implemented in all stores under Pagoda brand, namely Excellent (招牌), Grade A, B and C. We rate and classify our fruits under these four categories based on various parameters, including sweetness and sourness, freshness, crispness, softness, flavor, safety, as well as other metrics such as size, color, and absence of defects. To be specific:

- **Excellent:** These are typically fruits that are exclusively provided by us with highest quality standards and are highly differentiated with other fruits available in the market in terms of all or part of the above mentioned parameters.

- **Grade A:** These are fruits with certain differentiation with other fruits available in the market and are of higher quality. Although these fruits do not meet our standards for Excellent grade, the sweetness and sourness, freshness, crispness, softness, flavor, safety of such fruits are better than the average products in the market.

- **Grade B:** These are fruits that are generally similar to those available in the market.

- **Grade C:** These are edible fruits and are in poorer quality than those in the market.

On top of the 4-grade quality classification, we may from time to time identify and assign "Rare" grade to fruits which we consider are extremely rare in availability or in very special specifications and usually are only available in a limited amount. To better exert our influence across the industry chain and to manage the quality of our suppliers, we strive to involve ourselves in the upstream supply chain by providing various empowerments, in particular, to those suppliers of fruits under our categories of Excellent and Grade A, please refer to "— Responsible Supply Chain Management Empowering Sustainable Development" below for further details. Aggregate sales of fruits under Excellent and Grade A categories accounted for approximately 70% of the total store retail sales of Pagoda stores in 2021.

We have established a comprehensive set of quality standards. We review and modify such quality standards on a yearly basis in response to various factors and forecasts, including the changing climate and market conditions. We will also from time to time update the standards when we intend to sell new fruit products. Fruit quality standards are fundamental for our quality classification and the execution of standardized quality control, which ensures our product quality, and in turn, our reputation. For more details about our quality control, see "— Food Safety and Quality Control — Quality Control."

A lack of commonly accepted quality standards has long been a handicap for domestic fruit growers and distributors to achieve scalability in business. The establishment and implementation of our quality classification system for fruit products has laid a solid foundation for us to develop our franchise business model, which not only enables us to effectively evaluate the fruit quality throughout the cycle from procurement to sales, but also allows us to market and price the products, either towards the suppliers or the franchisees and consumers, in a consistent manner. It also ensures us to deliver a consistent shopping and tasting experience to our consumers. More importantly, we have pioneered in China in establishing a comprehensive and systematic written flavor-oriented 4-grade fruit quality classification system for fruit products, which forms a barrier to entry by educating the consumers to understand and appreciate the premium value of high-quality fruit products based on objective quality standards instead of relying on subjective personal experience. The standardized classification system for fruit products provides a direct and visualized guide to consumers as to the fruit quality, which further reinforces the competitiveness of those high-quality fruits.

We currently distribute a number of fresh groceries other than fruits. We believe the establishment and implementation of our proprietary 4-grade fruit quality classification system for fruit products has been critical to our quality control over fruit distribution. As such, we are in the process of developing similar quality classification systems for other fresh groceries by drawing on the successful experience accumulated in fruit retail industry. For example, with the technical support of our Younongdao, we have developed various standardized dimensions and parameters to determine the level of delicacy of vegetables, and we intend to build the "Three Zeros with Fresh Flavor (standing for zero chemical pesticides, zero chemical fertilizers and zero added chemical hormones with authentic flavor)" quality standards for vegetables.

Responsible Supply Chain Management Empowering Sustainable Development

High-quality and sustainable fruit product supply originates from high-quality and sustainable agriculture. We believe establishing an ecosystem with responsible supply chain management capability is fundamental and essential for our sustainable growth. To this end, we strive to optimize our supply chain management by accumulating and improving cultivation technologies that could empower our industry value chain, especially those upstream suppliers, in a manner that integrates traditional and scientific knowledge with best fruit growing practices and technologies, increases fruit yields and reduces costs, and lastly, contributes to a healthier environment.

Leveraging our standardized fruit quality classification system for fruit products and our extensive agricultural technologies and experience in cultivation and post-harvest processing which we have accumulated over the past years, we from time to time provide a variety of training and consulting services to plantation bases on comprehensive topics including industry intelligence, plantation and post-harvest technologies, quality standards, branding and marketing solutions. Meanwhile, benefiting from our vertically integrated industry value chain, we are able to generate customized solutions, assisting in matching resources from supply chain, research and development, logistics and marketing, and helping all participants in our ecosystem to exploit their advantages and maximize economic returns. We charge service fees based on the type, scope and the level of complexity of the technical training and services we provide. Unless we evaluate and identify any fruit product that possesses unique competitiveness in the market during the process of cooperation, we usually do not require the relevant suppliers to exclusively sell their products to us. Instead, we typically enjoy, at our discretion, the priority to purchase products that meet our quality standards. We believe such arrangements provide us with more flexibility in selecting products with comparable quality and prices. In addition, with respect to relevant technologies to be used and applied during the process of providing training and consulting services, we typically do not transfer the ownership of the relevant technology to the counter party. We specify the party which is allowed to use the relevant technology exclusively and the usage of such technology is restricted to the manner as agreed in the agreement. The counterparty is not allowed to disclose, transfer or assign the technology to other third parties without our prior approval. The counter party and/or its employees who may have access to our proprietary technologies or information are also typically subject to the confidentiality clauses in our agreements. Moreover, such services provided by us are typically customized on a project-by-project basis, including the formula or specification of certain manufacturing raw materials used that rely on our technologies. We believe our services, including the subsequent results arising from such services, cannot be easily reproduced or transferred by the counter party to other third parties.

In particular, we, through certain subsidiaries that are specialized in cultivation management or agricultural technological innovations, empower plantation bases, including certain of our suppliers, with advanced agricultural technologies. For example, our consolidated subsidiary, Youguolian, is a cultivation management company specialized in integrated consulting solutions in connection with cultivation techniques, production and commercialization, as well as branding and marketing for fruit products. Youguolian has developed several cultivation technical theories which have gone through verification and accumulation through long-period practice. It is able to produce integrated solutions with respect to high-standard horticulture management, soil modification, cropping system design, nutrition program design and other aspects. In particular, the comprehensive nutrition management system of Youguolian has made progress in both practice and theory in terms of multiple aspects including organic fertilizers, foliar nutrients and biological stimulants, presenting advantages over the theories on any individual aspect. Another subsidiary of us, Younongdao, is a cultivation technology company which obtained the license in connection with a leading organic agricultural system originated from Japan. Based on cumulative data and crop characteristics, it is able to produce precision fertilization plans by leveraging soil analysis and fertilization design, which in turn, are able to increase the quality and yield of fruits and reduce production costs. Younongdao has collaborated with a number of agricultural bases on cooperative plantation experiments in modification of soil and fertilizers.

Currently, examples of our successful agricultural technology empowerments along our supply chain include:

- **Red Ballerina strawberry:** We strategically focused on exploring strawberry cultivation, post-harvest and cold chain logistics technologies, and we have provided comprehensive technical support for growing excellent grade strawberry to our supplier, including soil improvement, fertilizer research and development and other nutritional solutions, as well as advanced plant protection solutions to control pesticide residues, and leading post-harvest technical specifications to control picking standards and post-harvest freshness, enabling full monitoring of strawberry quality and yield through scientific and standardized operations. This supplier is our major supplier of Red Ballerina strawberries, and such strawberries meet the Red Ballerina standards and are superior in quality in terms of flavor, brix value and appearance, as compared to our Grade B strawberries. We successfully built our Excellent red face strawberries into the Red Ballerina strawberry brand in 2019, which has been well received by consumers. The store retail sales increased from RMB143 million in 2019 to RMB231 million in 2021 during the same period, representing a CAGR of 27.1%. The retail price was generally twice as high as our Grade B strawberry, and the loss rate was much lower than the market average.

- **Liangzhi apple:** Youguolian has developed solutions including soil modification, nutrition management improvement, cultivation and plant protection plans, which were attributable to the development of Liangzhi apple with high organic content and high nutritional value. We first introduced Liangzhi apple to the market in 2017, and as of the Latest Practicable Date, 40 partner plantation bases were using such technical solutions to grow Liangzhi apple. We extended the technologies from Shandong to Shaanxi-Gansu area. The store retail sales of this product increased from RMB12 million in 2019 to RMB37 million in 2021, representing a CAGR of 75.6%. In 2021, the retail price of Liangzhi apple was generally twice as high as our Grade B apple products.

- **Mi Clan Chinese gooseberries:** We established a technical team focusing on gooseberry industry chain, and conducted regional experiments to select varieties with commercial potential. Through Youguolian, we worked with our supplier to apply our customized solutions for kiwi plantation. We provided guidance on quantitative application of custom-formulated organic fertilizers to improve soil and orchard ecology. We also generated scientific and standardized planting plans, plant protection and nutritional management methods. We provide ongoing technical support as we conduct technical training tours five times a year in each production area and give timely and detailed technical guidance at key technical points throughout the planting and picking. Our regional managers conduct regular one-on-one inspections of each gooseberries production area, rigorous assessment of orchard production standards, and our technical supervisors implement technical programs and key technical points. This supplier is our major supplier of Mi Clan Chinese gooseberries, and such gooseberries meeting the Mi Clan standards are superior in quality in terms of flavor and brix value, as compared to our Grade B gooseberries. Since the launch of Mi Clan Chinese gooseberries brand in 2017, the store retail sales increased from RMB21 million to RMB36 million during the same period, representing a CAGR of 30.9%. In 2021, the retail price of Mi Clan Chinese gooseberries was generally 30% higher than our Grade B gooseberries.

- **Fangshan spinach plantation experiments:** In 2020, certain plantation bases in Fangshan, Beijing commenced the plantation experiments by adopting the Bio Logical Farming, or BLOF, plantation technique of Younongdao. The experiment results have revealed that the yield, flavor, and the level of disease resistance of the experiment groups of spinach planted by adopting the BLOF technique were significantly improved from control groups, which in turn, proved to have better economic returns.

- **R&D collaborations with fertilizer manufacturers:** Younongdao has established R&D collaborations with a number of domestic fertilizer manufacturers by providing the detailed process requirements and base formula based on its BLOF technique. The R&D collaborations mainly focus on developing and producing high-quality compost fertilizers, amino acid organic fertilizers, as well as mineral fertilizers. Under the relevant collaboration agreements, the fertilizer manufacturers usually manufacture the fertilizer by adopting the technology provided by us and following the technical specifications specified by us. To ensure the quality of the fertilizer product under development, we usually specify the raw materials to be used. We specify the detailed quality standards in the collaboration agreements that the final product shall meet, which we may purchase from the fertilizer manufacturers. We generally have the right to conduct quality inspections during the process of product development and manufacturing. The fertilizer manufacturers are generally responsible for the costs and expenses in connection with the product development and manufacturing, and we shall pay product processing fees to the fertilizer manufacturers when we purchase the relevant products meeting our quality standards. We typically do not transfer the ownership of any core technologies owned by us to the fertilizer manufacturers, and they are also not allowed to disclose such technologies and other trade secrets of us to any third party without our consent. Some of the products have been commercialized and are welcomed by farmers.

We provided various kinds of agricultural technology related services to 68 suppliers across the country, covering different fruits from apple, pear, gooseberry, strawberry, watermelon to others, to increase their product quality, enhance flavor, reduce losses, and improve economic returns. In 2021, purchases from all these suppliers, in dollar amount, accounted for approximately 30.3% of our total purchase of fruits. Among them, 60 were suppliers of fruits under our Excellent and Grade A categories. We charge service fees based on the type, scope and the level of complexity of the technical training and services we provide. For example, soil sample analysis and testing service is generally simple and service fees are mainly determined based on the number of testing experiments. Service fees of annual training services vary and are determined on a case-by-case basis, subject to factors such as the complexity of training materials, subjects to be covered and number of participants. On the other hand, under certain consulting service arrangements, we assist the suppliers to study and apply relevant agricultural technology to their plantation bases. We usually charge a fixed annual fee for such services.

Among these 68 suppliers, 3 were our subsidiaries, 8 were our associates, 1 was accounted for as our financial assets at fair value through other comprehensive income (FVOCI), and the remaining were independent third parties. Moreover, among these 68 suppliers, 9 suppliers had entered into factoring arrangements with us during the Track Record Period and up to the Latest Practicable Date. As of December 31, 2019, 2020 and 2021 and June 30, 2022, aggregate factoring amounts due from these suppliers were RMB132.0 million, RMB70.6 million, RMB14.6 million and RMB18.1 million, respectively. Other than the above-mentioned transactions, these suppliers do not have any past or present relationship, including, without limitation, business, employment, family, financing, trust or otherwise, with us or our subsidiaries, shareholders, directors or senior management, or any of their respective associates. In addition, despite the services we provided, the terms and conditions provided to these suppliers under the purchase agreements are generally identical to those provided to other independent third-party suppliers.

Forming a systematically functioning sustainable supply chain takes long time and great efforts. We believe our accumulated technical innovations and know-how are able to benefit our entire ecosystem and generate more visible advancements, including empowering fruit growers to achieve scalable production of high-quality fruits in a more cost-efficient manner.

In addition to various agricultural technologies, we also leverage our accumulated strong IT capabilities and the established industrial information platform to empower our suppliers, which not only streamlines information from our distribution centers and retail stores, but also connects to our suppliers and enables information exchange. Our industrial information platform benefits the participating suppliers by means of providing feedback on the sales volume, quality and market demand of their products, which is valuable for plantation bases and fruit farmers to improve and plan their future operations. As of the Latest Practicable Date, substantially all of our retail business suppliers have been connected to our intelligent supplier management system.

Lastly, we from time to time identify industry players with growth potentials and through capital empowerment, we have established strategic partnerships with dozens of plantation bases and agricultural technology companies in the form of joint ventures and equity investment to exert our influence over quality resources across the industry chain. On one hand, capital investment helps our partners strengthen their business; on the other hand, it enables us to control quality resources through strategic agreements and ensure the stability of quality supplies. At the same time, based on our strict fruit quality classification and pricing system at the procurement side, we are able to give sufficient premiums for quality fruits and attract more quality suppliers to join our system to support our sustainable development.

Strategic Investment and Partnership

Driven by our strategy to exert influence on our industry value chain by capital empowerment, as of the Latest Practicable Date, we had made direct investments in 38 companies, which are suppliers of fruits that we believe are competitive in quality and rareness in the market, or companies specialized in agricultural technology and cultivation management.

Our initial investment agreements typically contain general terms and conditions in connection with the corporate governance and management matters. As of the Latest Practicable Date, by different types of investment, these investments might be further divided into:

- 16 of our currently consolidated subsidiaries, comprising 7 fruit product suppliers, 3 fresh grocery suppliers, 2 fruit product processing factories, and 4 agricultural technology companies which include Younongdao. Seven of these direct investments were made during the Track Record Period and up to the Latest Practicable Date.

Aggregate investment cost paid by us in relation to these investments during the Track Record Period and up to the Latest Practicable Date was approximately RMB355.9 million, among which approximately RMB310.0 million was for the acquisitions of Haiyang Jinchengtai and Youguolian. Currently, eight are wholly-owned subsidiaries and our current equity interest in the remaining six subsidiaries is between 51% up to 100%. With respect to subsidiaries that are not wholly owned by us, we generally intend to acquire control over the business operation of these companies. We are typically entitled to appoint the majority of the board of directors of the investees and actively participate in the management of their business operations. Given our majority ownership, we have generally acquired the majority voting power over material events of these companies. We also usually have the right of first refusal when the counter-party shareholders intend to sell their shares in the relevant companies.

- 12 of our current associates, comprising 10 fruit product suppliers, and 2 agricultural technology companies. Nine of these direct investments were made during the Track Record Period and up to the Latest Practicable Date.

  Aggregate investment cost paid by us in relation to these investments during the Track Record Period and up to the Latest Practicable Date was approximately RMB75.9 million. Our current equity interest in these associates is between 7% up to 45%. Subject to the investment agreements, we are typically entitled to appoint at least one director of the associates. In addition, subject to their respective articles of association, any material event, such as merger and acquisition, amendment to articles, termination of business, and distribution of profit, shall obtain approval from shareholders representing the majority voting power. We also usually have the right of first refusal when the counter-party shareholders intend to sell their shares in the relevant companies.

- Nine investee companies that are accounted as financial assets at fair value through other comprehensive income (FVOCI), comprising seven fruit product suppliers and two agricultural technology companies. Six of these direct investments were made during the Track Record Period and up to the Latest Practicable Date.

  Aggregate investment cost paid by us in relation to these investments during the Track Record Period and up to the Latest Practicable Date was approximately RMB16.2 million. Our current equity interest in these investees is up to 27%. We generally do not actively participate in the daily operation of these companies, but are entitled to the general right as a minority shareholder, such as right of access to information.

- One investment in a dairy company which is specialized in yogurt products that is accounted as financial assets at fair value through profit or loss (FVTPL). This investment was made during the Track Record Period.

  Total investment cost was RMB20.0 million, and our current equity interest in this company is 1.18%. We from time to time contemplate cross-promotional and cross-sales collaborations to explore potential opportunities in food industry. We intend to leverage this investment to expand our product offerings that may leverage our competitive advantage in fruit supply.

Given that almost all of the companies we targeted were typically small in operation scale and/or at a start-up stage, the initial capital investment with respect to individual transaction was generally not significant. We take a prudent approach in our capital empowerment process, and typically make minority equity investment at the initial stage. We would evaluate the growth of these companies on a regular basis and decide to increase our investments so as to enhance our influence on their business development.

Product Brands

To exert control over upstream supply chain and to reserve high-quality product brands are our competitive strengths and our long term development strategies as well. As of the Latest Practicable Date, through organic development and close partnership with the relevant suppliers, we had successfully introduced to the market 31 self-owned product brands that are exclusively distributed by us in China under our Excellent and Grade A categories. These 31 product brands cover 20 fruit types, including apple, strawberry, durian, grape, mellow, prune and others. We had registered 211 trademarks as brand names for our fruit products in China as of the Latest Practicable Date, such as "Red Ballerina" brand for strawberry (紅芭蕾), and "Daba" brand for musang king durian (大芭貓山王). We are also currently in the process of registering 33 additional brand names. We only apply such proprietary brand names to our premium quality products, which differentiates us from other competitors in the market and further reinforces our brand identity and awareness.

Yake prune

Daba musang king durian

Red Ballerina strawberry

Mi Clan Chinese gooseberries

Liangzhi apples

Jade grape

The table below further sets forth certain information of the 31 self-owned product brands under our Excellent and Grade A categories.

Product Brand	Fruit Type	Average Selling Price (RMB/ per kilogram)[(1)(2)]
Yake prune / 亞克(西梅)	prune	27
Love of North America plum / 北美之戀(櫻桃李)	plum	94
Xi'ge coconut / 吸個(椰子)	coconut	36
Daba musang king durian / 大芭(貓山王榴蓮)	durian	103
Custard apricot / 奶皇(杏)	prune	43
Little Sunshine kumquat / 小太陽(金桔)	citrus	48
Little Purple passion fruit / 小鮮紫(百香果)	passion fruit	29
Mumeiren grape / 慕美人(葡萄)	grape	43
Late Spring peach / 晚三月(水蜜桃)	peach	18
Wind Chime wax apple / 水風鈴(蓮霧)	wax apple	37
Huohong persimmon / 火虹(柿)	persimmon	13
Shuang Bu Rang winter jujubes / 爽不讓(冬棗)	winter jujubes	23
Newton apple / 牛頓(蘋果)	apple	13
Mi Clan Chinese gooseberries / 獼宗(綠果)	gooseberry	13
Yuqiao orange / 玉俏(紅美人)	citrus	41
Wangping orange / 王品(山地橙)	orange	11
Red Ballerina strawberry / 紅芭蕾(草莓)	strawberry	55
Zhi Hu Jin mellow / 紙虎金(瓜)	watermelon	10
Liangzhi apple / 良枝(蘋果)	apple	14
Mi Huang pear / 蜜凰(冰糖梨)	pear	20
Yu Jin Xiang durian / 遇金香(榴蓮)	durian	56
Golden Flower jack fruit / 金花瓣(菠蘿蜜)	jack fruit	19
Bingchuan mellow / 冰川脆蜜瓜(蜜瓜)	mellow	9
Xiangfeng grape / 香風(翡翠青提)	grape	57
Black cane grape / 黑藤(巨峰)	grape	23
Pinky dragonfruit / 大粉(火龍果)	dragonfruit	11
Bushili / 不失李(李子)	plum	15
Hua Huang golden pineapple / 花凰(金鳳梨)	pear	16
Mild Jade mellow / 軟香玉(蜜瓜)	mellow	13
Xue Sha orange / 雪紗(桔柚)	orange	13
Finest dragonfruit / 一品官(燕窩果)	dragonfruit	95

Notes:

(1) Base on average selling prices set through major sales channels (excluding online channels) throughout the three years ended December 31, 2021. Given that selling prices of fruit products may be subject to material seasonal fluctuation, selling prices for the six months ended June 30, 2022 were not considered.

(2) For indicative purpose only. Selling prices of each fruit product fluctuate throughout the year and price difference may be significant in different seasons and due to changes in supply and demand in regional markets.

Given the broad and diverse range of product offerings, as of the Latest Practicable Date, we had registered one trademark, namely Panda.F (熊貓大鮮), as the brand name for all of our other fresh groceries.

Egg

Fresh vegetable

Fresh meat

Milk

Rice

Steamed pork bun

Pricing

We believe our leading position in our industry in China as well as our brand recognition and product quality have provided us with a strong pricing power.

We generally take into account a number of factors to set the price of our fruits sold to our consumers, including costs relating to procurement and warehousing, market demands and the prices set by major competitors. We generally consider the following factors when we price a specific type of fruits:

- the studies and analysis on the supply and demand relationship in our target markets and on the purchasing power of our target consumers;
- our historical sales;
- procurement costs, including costs relating to logistics and warehousing;
- anticipated profitability; and
- pricing of our competitors and comparable products in the market.

Leveraging our standardized fruit quality classification system, we are able to price differently based on different quality levels of fruits. Such a pricing strategy allows us to maximize the value of each type of fruits, achieve good value-for-money, and cater to the needs of consumers with different purchasing power. In addition, due to the nature of fresh fruits, their prices are generally subject to frequent fluctuations resulting from quality deterioration, seasonal availability and other factors. As such, our operation and procurement departments conduct dynamic price review on a weekly basis and adjust our prices towards the franchisees. Currently, we deploy our uniform store procurement platform to release to the franchisees the pricing schedules for each type of fruits. With respect to a specific type of fruits, the selling prices to franchisees may be slightly different, considering the different logistic costs based on the distance from the place of origin to the cities where the stores are located, as well as the competition in each regional market. To be specific, with respect to a particular product of same quality, we typically set a relatively lower suggested retail price in lower-tier cities comparing with the more developed regions, after considering the purchasing power, competitive landscape and operating costs in such regional markets. In addition, suggested retail prices for a particular product of same quality sold through online and offline channels are generally comparable, in order to minimize the competition on price between online and offline sales. However, we adopt the product differentiation strategy and develop different packaging or specifications to attract diversified consumers across online and offline channels.

As to the sales in the retail store, we set a suggested retail price as well as a maximum retail price for each fruit, generally guided by the principle that discernibly better products are priced with a higher premium. Our franchisees may adjust their selling prices based on the suggested price which shall not exceed the maximum retail price. We have launched smart pricing system by leveraging data analytics, so that we are able to learn the best pricing strategy for each product type and better advise the franchised stores on pricing.

Similarly, in light of other fresh groceries that are non-standard items, such as vegetables and fresh meat, we generally price the products based on their quality levels. With respect to other fresh groceries that are standard items, such as prepacked grains and oils, and dairy products, we typically set the retail prices by adopting a cost-plus approach. We will also refer to comparable products with similar quality levels on the market when making the pricing strategy. We currently distribute other fresh groceries in selected regions and we adopt a uniform pricing strategy for such products.

Seasonality

Some fruits are available all year around and some are in season only for several months, even weeks. Generally speaking, sales are relatively stronger in summer seasons. However, the impacts of seasonality on our operations and financial performance is not material. Due to the large variety of fruit types we sell, leveraging the flexible adjustment to product offerings, we do not expect to experience significant fluctuations in sales due to the seasonality of any particular fruit. There is generally no significant seasonal fluctuation in the supply of our other fresh groceries.

FRUIT SPECIALTY RETAIL OPERATOR WITH OMO AND STORE-AS-WAREHOUSE FEATURES

OMO Strategy

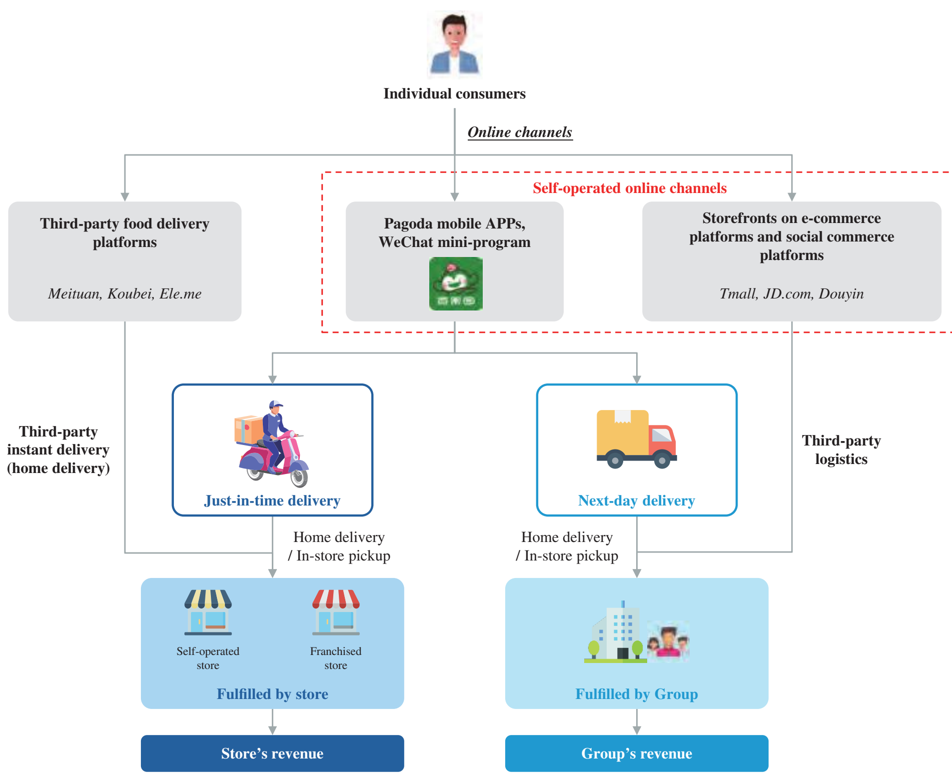
Leveraging our in-depth experience in the fruit retail industry in for over 20 years, we believe that the OMO and store-as-warehouse features best suit the fruit specialty retail model. On one hand, the extensive community-based network of small-scale stores that are close to consumers is able to satisfy the personalized consumption needs of community residents. In-store product displays and face-to-face selling have significant added-value. Meanwhile, the advantages of e-commerce that allows consumers to conveniently place orders online and reaches a massive consumer base further attract consumers to step into offline stores or to purchase online. On the other hand, the store-as-warehouse model is able to enhance logistical efficiency and reduce logistic costs, thus, achieving high turnover and low loss rate. In addition, we are also in the process of upgrading our member operations, consumer services and internal IT infrastructure support to further enhance the OMO and store-as-warehouse features.

We have established multiple self-operated online channels, comprising Pagoda mobile APPs, Pagoda WeChat mini-program, stores on mainstream e-commerce platforms such as Tmall and JD.com, as well as storefronts on popular social commerce platforms, such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me.

The well-established offline store network and multiple online channels enabled us to deploy our business model by offering specialty offline and variety online. Offline stores focus on fruit and fruit related products while we display and promote other fresh groceries online. Consumers purchasing fresh fruits online via our mobile APPs and WeChat mini-program are offered flexible delivery options, including the just-in-time delivery or the next-day delivery. Under either option, they may further opt to pick up at a designated store or request for home delivery. Online purchases of fresh fruits through third-party platforms will be fulfilled by the fleets of such platforms, most of which are instant delivery. On the other hand, since purchasing of such other fresh groceries is more likely to be a decision of planned buying, we adopt the online pre-order model which is fulfilled by next-day delivery, and consumers may opt to pick up at a designated retail store or request for home delivery. This approach offers convenience to consumers and allows us to assess demands and make procurement and logistic arrangements subject to the orders received. The online pre-order model fulfilled by next-day delivery also minimizes the in-store inventory for other fresh groceries. On the other hand, the in-store pickup option may further drive traffic into the offline stores and contribute to total sales by increasing sales of fruits in stores.

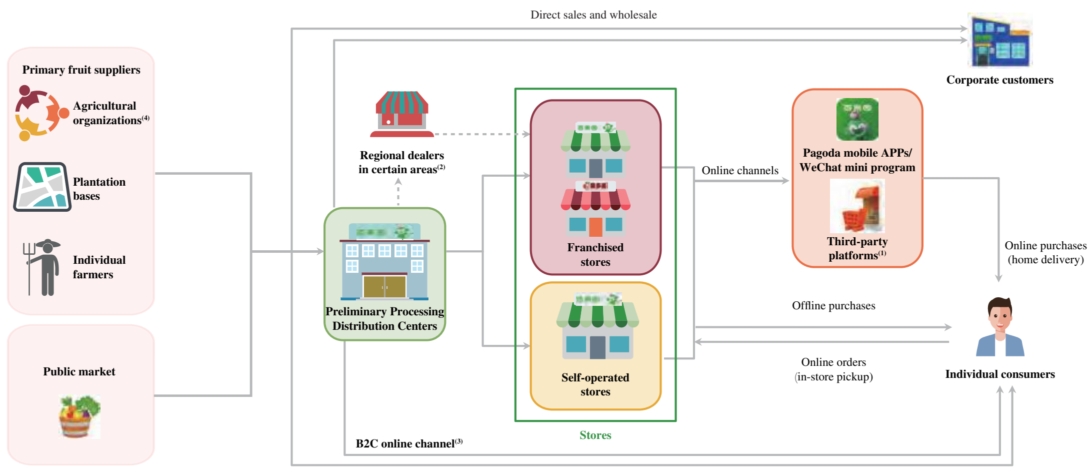
Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by next-day delivery, and sales derived from online orders through third-party e-commerce and social commerce platforms are counted as our revenue since such orders are processed and performed by us. Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by just-in-time delivery, and sales derived from online orders through third-party food delivery platforms are sales revenue of the relevant store which processes and performs the order.

The diagram below illustrates major components of our current online channels.



Our Distribution Channels

The diagram below illustrates our major distribution channels.



Notes:

(1) Include third-party food delivery platforms we partner with (such as Meituan, Koubei and Ele.me).

(2) Regional dealers are currently located in Hefei, Qingdao, Taiyuan, Xuzhou, Nanning, Shantou, Xi'an, Fuzhou, Jinan, Yichang, Shijiazhuang, Kunming and Changsha.

(3) Includes our storefronts on mainstream e-commerce platforms (such as Tmall, JD.com) and social commerce platforms (such as Duoyin).

(4) Cooperative agricultural commodity unions which are organized by, serve and represent individual farmers or plantation bases producing a specific commodity who are members to such organizations.

Distribution Network Summary

We have established the fruit specialty franchise model with OMO and store-as-warehouse features. We primarily sell fruits to consumers through our offline store network comprising franchised stores supervised by us, franchised stores supervised by our regional dealers and self-operated retail stores. We also distribute through our online channels comprising Pagoda mobile APPs, Pagoda WeChat mini-program, stores on mainstream e-commerce platforms and social commerce platforms or through the third-party food delivery platforms we partner with. We also engage in direct sales to certain major customers, such as enterprises, restaurants and high-speed railway companies that have catering needs. In addition, on a limited scale, we engage in fruit wholesale business.

The table below sets forth the revenue contribution derived from sales of products by our distribution channels.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Franchised stores										
Franchised stores supervised by us	7,686,867	87.9	7,302,861	84.5	8,125,229	81.3	4,356,213	81.2	4,601,710	80.3
Others[(1)]	13,307	0.1	6,238	0.1	1,832	0.0	509	0.0	1,068	0.0
	7,700,174	88.0	7,309,099	84.6	8,127,061	81.3	4,356,722	81.2	4,602,778	80.3
Self-operated stores	36,587	0.4	39,210	0.5	48,296	0.5	23,783	0.4	31,693	0.6
Others										
Regional dealers[(2)]	455,887	5.2	493,562	5.7	968,022	9.7	496,341	9.2	563,694	9.8
Direct sales	524,289	6.0	515,526	6.0	522,750	5.3	336,687	6.3	406,982	7.1
Online channels	32,889	0.4	279,417	3.2	325,629	3.2	153,626	2.9	125,546	2.2
	1,049,652	12.0	1,327,715	15.4	1,864,697	18.7	1,010,437	18.8	1,127,915	19.7
Total	8,749,826	100.0	8,636,814	100.0	9,991,758	100.0	5,367,159	100.0	5,730,693	100.0

Notes:

(1) Represented revenue derived from franchised stores supervised by regional dealers by selling certain goods to those franchised stores supervised by regional dealers. We generally do not engage in sales of fruits and other products to franchised stores supervised by our regional dealers.

(2) Represented revenue derived from sales of products to regional dealers.

Channel Brands

We adopt a multi-brand strategy to attract consumers of different demographics and to quickly acquire market shares. Multi-brands also allow us to effectively penetrate local markets by occupying broader price ranges. All the franchised stores under individual channel brand are operated under our uniform franchise management system.

Currently, the retail stores nationwide are mainly operated under two channel brands, namely "Pagoda (百果園)" and "Guoduomei (果多美)." Pagoda is a proprietary channel brand developed by us, mainly targeting middle- to high-end markets and offering high-quality fruits to consumers with certain purchasing power. As of the Latest Practicable Date, there were a total of 5,491 franchised stores and 10 self-operated stores under Pagoda brand nationwide. Guoduomei is a trademark we acquired through a trademark transfer transaction in late 2017, and we have developed it as a regional channel brand. Guoduomei targets the mass consumer market and offers fruits at more competitive prices. As of the Latest Practicable Date, there were a total of 103 franchised stores and 2 self-operated stores under Guoduomei brand, the majority of which are located in Beijing. Subject to their different positioning as to products and target consumer groups, stores under Pagoda brand are typically community stores and relatively small in size of approximately 50 sq.m., while Guoduomei stores typically are located in areas with high consumer traffic such as transport hubs and commercial districts, and the store size is generally larger at approximately 150 sq.m.

As of the Latest Practicable Date, there were also 7 self-operated stores under our other channel brands. We have reserved and will continue to identify additional regional channel brands with growth potentials and will foster strategic partnership with or investment in such target brands from time to time.

The following table sets forth our total number of stores under each of our channel brands as of the dates indicated.

	As of December 31,						**As of June 30,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	# of stores	*%*	*# of stores*	*%*	*# of stores*	*%*	*# of stores*	*%*	*# of stores*	*%*
Pagoda franchised stores	4,210	97.8	4,646	97.7	5,134	97.8	4,830	97.8	5,334	97.9
Pagoda self-operated stores	3	0.1	4	0.1	6	0.1	6	0.1	7	0.1
Guoduomei franchised stores	92	2.1	102	2.1	100	1.9	95	1.9	101	1.9
Guoduomei self-operated stores	2	0.0	2	0.0	2	0.1	2	0.1	2	0.0
Self-operated stores under other channel brands	–	–	3	0.1	7	0.1	4	0.1	7	0.1
Total	4,307	100.0	4,757	100.0	5,249	100.0	4,937	100.0	5,451	100.0

Offline Retail Store Network

We have established an extensive nationwide offline retail store network, comprising our self-operated stores, franchised stores operated by franchisees and supervised by us ("franchised stores supervised by us") and franchised stores operated by franchisees and supervised by regional dealers in designated regions ("franchised stores supervised by regional dealers"). Within designated regions where we engage regional dealers, there were no franchised stores supervised by us nor our self-operated stores.

As of the Latest Practicable Date, our offline store network had a total of 5,613 stores located in over 140 cities covering 22 provinces and municipalities across China. Among these, 5,594 were franchised stores with the remaining 19 self-operated stores. Among all franchised stores, 4,556 were franchised stores supervised by us while 1,038 were franchised stores supervised by regional dealers.

The following table sets forth the total number of franchised stores and self-operated stores as of the dates indicated.

	As of December 31,						As of June 30,			
	2019		2020		2021		2021		2022	
	# of stores	*%*	*# of stores*	*%*	*# of stores*	*%*	*# of stores*	*%*	*# of stores*	*%*
Franchised stores										
Franchised stores supervised by us	3,700	85.9	3,892	81.8	4,254	81.0	4,018	81.4	4,454	81.7
Others	602	14.0	856	18.0	980	18.7	907	18.4	981	18.0
Sub-total	4,302	99.9	4,748	99.8	5,234	99.7	4,925	99.8	5,435	99.7
Self-operated stores	5	0.1	9	0.2	15	0.3	12	0.2	16	0.3
Total	4,307	100.0	4,757	100.0	5,249	100.0	4,937	100.0	5,451	100.0

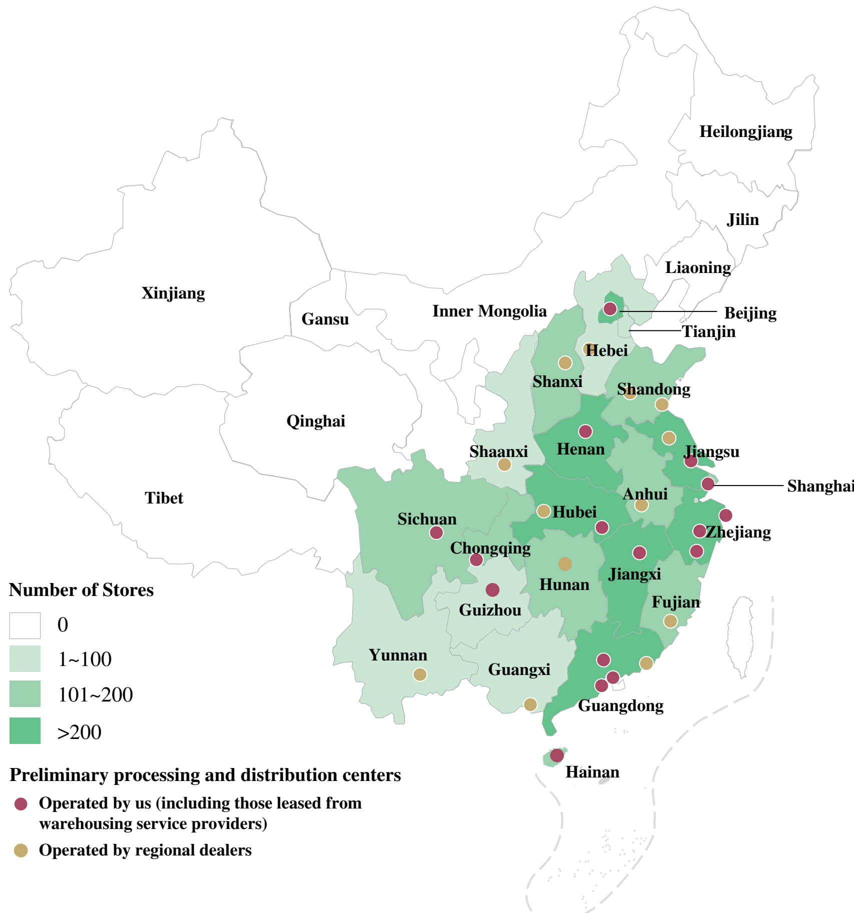
The table below sets forth the revenue contribution derived from sales of products by franchised stores and self-operated stores for the periods indicated.

	As of December 31,						As of June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Franchised stores										
Franchised stores supervised by us	7,686,867	99.4	7,302,861	99.4	8,125,229	99.4	4,356,213	99.4	4,601,710	99.3
Others[(1)]	13,307	0.1	6,238	0.1	1,832	0.0	509	0.0	1,068	0.0
Sub-total	7,700,174	99.5	7,309,099	99.5	8,127,061	99.4	4,356,722	99.4	4,602,778	99.3
Self-operated stores	36,587	0.5	39,210	0.5	48,296	0.6	23,783	0.6	31,693	0.7
Total	7,736,761	100.0	7,348,309	100.0	5,249	100.0	4,380,505	100.0	4,634,471	100.0

Note:

(1) Represented revenue derived from franchised stores supervised by regional dealers by selling certain goods to those franchised stores supervised by regional dealers. We generally do not engage in sales of fruits and other products to franchised stores supervised by our regional dealers.

The map below illustrates our retail store network and preliminary processing and distribution centers in China as of the Latest Practicable Date.



We have established an extensive nationwide retail network which is under our robust and uniform management. We implement detailed and comprehensive franchise operation protocols that all of the stores are required to comply with. Our efficient franchise management system allows us to attract and retain franchisees and grow rapidly, while enabling us to actively supervise and guide on critical aspects of the franchised stores' daily operations to ensure that they strictly adhere to our retail policies and operational procedures. This business model has provided strong support to our rapid and steady retail network growth.

The offline store network's geographic coverage and degree of penetration have affected, and will continue to affect, our operational and financial performance. For example, stores located in more developed cities typically record higher average daily sales, mainly as a result of greater purchasing power of local residents, more advanced delivery services and stronger brand recognition in those areas. We intend to continue to penetrate in first- and second-tier cities and to explore market opportunities in more lower-tier cities at the same time.

To embrace the advanced international retailing and franchising experience and expertise, in 2018, we engaged a renowned Japanese consulting firm to conduct an observational research for us and assist us in developing solutions to improve the systemization and efficiency of our franchise management and to enhance the standardization of our store operations.

Store Network Planning and Management

We have a dedicated team to plan and manage our retail store network. At the end of each calendar year, our management and the franchise development department establish a new store opening schedule based on our annual operational target in the upcoming year, which is subject to review during the normal course of operation execution.

We follow a disciplined approach in selecting cities for store network expansion. In determining the regions we expect to tap into, we evaluate a number of factors, including the target city's local economy, level of urbanization and population, purchasing power, the coverage of our facilities and logistics capabilities, as well as the availability and potential growth of qualified franchisees. Our nationwide store network has covered over 140 cities across China. Our stores are strategically located within the service radiance of our preliminary processing and distribution centers in the country and continue to penetrate in surrounding lower-tiered cities.

In each city, we aim to locate the stores at desirable sites near residential areas or business districts with affluent consumer traffic, which helps increase the convenience of consumers to make purchases and enhance the visibility of the stores and products. We conduct thorough surveys and analysis, including on-site visits and consumer traffic count, in connection with the target location. We also conduct feasibility studies in connection with the target location, which cover consumer traffic, spending pattern, competition level, as well as expected revenue and profit level. Final decision as to the location for a new store, either provided by the franchisees themselves or identified under our assistance, shall be submitted and reviewed by us on a case-by-case basis. We may only approve the store opening after the store location evaluation is approved. We have leveraged upgraded data analytics to assist our decision making process by collecting and analyzing information in connection with store performance, geographic conditions and other business intelligence.

We generally require all of the stores, either franchised or self-operated, to adopt a uniform set of design features, including storefront, interior decorations and product display. We believe that our uniform store design strengthens our brand recognition, improves the efficiency of expansion of stores and lower the risks of a counterfeit store. Our store spaces are specifically designed with decor details to imitate the "orchard" feeling to enhance the perception of the delicacy of our fruits. Moreover, to deepen the implementation of our OMO strategy, we have continuously upgraded the stores by improving interior designs, adding additional cold storage facilities, and fruit processing equipment.

In addition to actively exploring new markets, we also place considerable emphasis on further penetrating existing markets so as to increase our market share. We believe as a result of our penetration strategy, the recognition of our Pagoda brand has been quickly enhanced, which in turn, is able to effectively contribute to the sales increase of those new stores at their initial stage in the relevant region. During the Track Record Period, the aggregate store sales in any particular city generally increased, indicating a growth potential in such areas. Our management will continue to monitor and evaluate the store performance and the market saturation in each region and prudently control the penetration rate of the retail stores.

We determine the distance between the stores based on our market analysis as well as commercial considerations to minimize competition among stores. In principle, the distance of two stores within the same commercial area is generally no less than 500 meters, subject to further detailed evaluation and judgment as to the consumer traffic, market demands and other factors when determining the store location. To cater to the high demand of our products in certain areas, additional stores may be set up in close proximity to the existing stores.

Franchised Stores

We have grown our business mainly through engaging franchisees, either by our recruitment or by referral from regional dealers, to operate franchised stores. We believe that fruits are non-standardized fast moving consumer goods, sales of which require timely adjustment to sales plans subject to changes in supply and market demands. Franchisees under the franchise model are the owners and decision makers of the respective franchised stores. Therefore, such model is more efficient at decision making and execution. Moreover, franchise business model provides an asset-lite and cost-effective means of quickly expanding our geographical coverage in a short timeframe, which has in turn contributed significantly to the increase of our revenue, market share and brand recognition. Compared with a business model developed through employees who only receive salaries as incentive, the gross profit based incentive mechanism under franchise model provides greater incentives to franchisees and better aligns their interests with ours. Franchise model is a common market practice in retail industry in China. None of our franchisees is our principal or agent. Furthermore, we had commenced to engage regional dealers since 2018, one of the major contractual obligations of which is to identify and refer to us qualified franchisee candidate in designated regions. We may enter into franchise arrangements with such candidates subject to our review and approval. For more details about our arrangements with regional dealers, see "— Regional Dealers" below.

The table below sets forth the changes in the number of the franchised stores during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
Beginning of the year	3,540	4,302	4,748	5,234
Additions	928	695	865	431
Closures	(166)	(249)	(379)	(230)
Net increase	762	446	486	201
End of the year	4,302	4,748	5,234	5,435

In 2019, 2020 and 2021 and the six months ended June 30, 2022, the number of franchised stores closed was 166, 249, 379, and 230 respectively, primarily as a result of renovation and rezoning of local commercial areas resulting from urban construction and anti-pandemic restrictive measures, other personal reasons for which the landlords terminated or disagreed to renew the lease agreements for reasons including (i) the relevant landlord had other personal plans for such property, or (ii) the relevant landlord required a rental increase which was not agreed on. In addition, a small number of stores were closed because relevant franchisees considered the performance of the stores not satisfactory. To the best of our knowledge and based on our communication with the relevant franchisees, approximately 48% franchised stores closed during the Track Record Period was due to the termination of leases by the landlords for different reasons and approximately 14% was because of poor performance of the stores perceived by the franchisees.

As of the Latest Practicable Date, our offline store network had a total of 5,613 stores, located in over 140 cities in 22 provinces and municipalities across China, among which 5,594 were franchised stores.

Selection and evaluation criteria for franchisees

Engaging capable franchisees is critical to our business growth. We have developed a systematic process with respect to the expansion planning and execution for franchisees and franchised stores. We select our franchisees based on a number of criteria, including, among others, their local relationships and experience, store locations, operational and marketing capabilities, financial condition, risk management capabilities, legal compliance status, reputation, as well as their understanding of our company, brand, culture and business model. We also consider their risk tolerance level, and entrepreneurial spirit as a reference.

In principle, we currently require our franchisees to personally participate in the daily operations of their stores. To ensure that our franchisees are qualified to manage and operate the franchised stores pursuant to our requirements, we organize training programs for franchisee candidates who shall pass our examinations before they are qualified as a franchised store manager. If the candidate fails the examinations within three months after the training, we are entitled to terminate the franchise agreement.

Subject to their application and our evaluation, we may allow existing franchisees with excellent track record to open additional franchised stores. In such case, the franchisee shall appoint a store manager assistant who shall participate in our trainings to be qualified as a store manager for the second franchised store.

During the early stage when we were exploring the franchise business model, we selected and trained franchisees from a limited number of candidates, mainly our business partners such as our then existing franchisees, franchise store manager and staff, and a small number of our former employees. As we gradually accumulated our experience and confidence in our franchise business model, we commenced to attract franchisees other than our existing business partners to develop our business, so as to quickly acquire market share. Prior to 2019, our franchisees were typically individual self-employed merchants (個體工商戶) who were familiar with fruit retailing and were able to quickly expand our franchise store network in regional markets. But these franchisees were generally in lack of financial resources. According to Frost & Sullivan, it is not uncommon to engage self-employed merchants as franchisees in our industry in China. It is primarily because fruit retail industry has a tradition of relying on individual retailers, prior to the emergence of modern retail models. Since 2019, when we had significantly grown our franchise network, we placed more emphasis on the quality of the franchisees and the sustainability of the franchised stores, instead of a rapid expansion of store network. As such, we started to identify franchisees who were willing to devote time and capability in operating their franchised stores in person. Since 2019, we contracted with more individual self-employed merchants with necessary financial capacity to support their franchised stores at the startup stage who actively participated in daily operation of their franchised stores. With our significant market size and franchise network in place, we engaged a renowned Japanese consulting firm with international retailing and franchising experience and expertise in 2018 to improve our franchise management capacity, and modified and optimized various aspects of our franchise model in 2019, which we believe was in the best interests of the continued development of our franchise model. For example, we revised the financial support arrangements from offering interest-free loans to franchisees to interest-bearing loans with respect to new applications since 2019. The loans are required to be applied exclusively for the daily operation of the relevant franchised stores, and we set a cap amount that each franchised store may borrow from us under the interest-bearing loan arrangements. These policies illustrated our intention of discouraging imprudent expansion, but supporting franchisees who advocated a franchise network with long-term and sustainable growth. With respect to stores opened after January 1, 2019, we ceased to grant the discretionary credit term. For more details about the history and development of our franchise business model, see "Our History and Development — Milestones," "— Financial Support Provided to Franchisees," and "— Settlement and Cash Management — Settlement with Franchisees." Our policies have achieved the anticipated goal in terms of avoiding unreasonable store expansion. Each of the franchisees contracting with us prior to January 1, 2019 on average operated 3.9 stores and as of December 31, 2021, the number of stores operated by a single franchisee ranged from 1 to 123. In contrast, with respect to franchisees contracting with us after January 1, 2019, each of them on average operated 1.4 stores and as of December 31, 2021, the number of stores operated by such single franchisee ranged from 1 to 49.

As of the Latest Practicable Date, we had contracted 2,385 franchisees. Our franchisees include natural persons and private companies registered by natural persons. To the best of our knowledge and save as disclosed in the section entitled "Continuing Connected Transactions" and the subsection of "— Management and service support for franchisees" below, as of the Latest Practicable Date, all other franchisees were third parties independent from us. The table below sets forth the changes in the number of our franchisees during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
Beginning of the year/period	1,018	1,451	1,772	2,119
Additions	466	372	445	297
Terminations	(33)	(51)	(98)	(144)
Net increase	433	321	347	153
End of the year/period	1,451	1,772	2,119	2,272

To the best of our knowledge, during the Track Record Period, our franchisees terminated the relationship with us primarily due to their personal reasons that they were not willing to continue to or not able to operate their stores due to the previously mentioned reasons. Subject to negotiation with the relevant franchisees and under certain circumstances, such as continuous unsatisfactory performance for a prolonged period or a material breach of contracts, we may from time to time decide to terminate the franchise arrangements with our franchisees and close the relevant franchised stores.

Management over retail stores

Over the past years, we have accumulated comprehensive experience in standardizing store management knowledge. Uniform and standardized store management and operation is critical to maintain consumer experience, and in turn, our reputation. In addition, standardized store operation requirements enable newly opened stores to efficiently obtain a detailed checklist of best practice.

As such, we have established an extensive and standardized set of store operational policies and procedures that all franchisees are required to comply with. For example, we specify in-store decoration and product display rules that are specially designed to enhance the attractiveness of fresh fruits. We also provide branding and marketing solutions. Based on standard marketing materials we distribute to stores, we encourage our stores to modify by supplementing the customized elements based on their respective target consumer groups. Given the highly perishable nature of our products, we provide the optimal storage and shelf life guidance for each type of fruits. We encourage our franchisees to conduct market researches so as to make better price adjustment decisions based on our suggested retail prices. We urge our franchisees to manage their inventory at an appropriate level so as to maintain sufficient fresh fruits on the shelf on one hand, and minimize the loss rate on the other.

Since early 2020, we have implemented a store performance evaluation system, which is a scoring system focusing on five major items, namely store environment, food safety and quality, product freshness management and display, services, and employee satisfaction, each of which is further subject to a list of detailed evaluation sub-items and criteria. In addition, we also maintain a point system where demerit points will be recorded in case of a major consumer complaint or a food safety issue. The store evaluation results are correlated to the discount rates offered to the relevant store, as well as to the annual performance bonus and promotional opportunities offered to the relevant regional supervisors and regional managers. As such, we believe these parties are highly motivated to constantly maintain the store management by strictly complying with the criteria set forth in the store evaluation scoring and point systems.

We closely review the operation of each of the offline stores on an ongoing basis. With respect to the five major aspects under our store performance evaluation system, except for employee satisfaction which is reviewed by the store's employees, all the remaining four items are reviewed by consumers via mobile APPs, mystery customers engaged by us and our regional supervisors on a monthly basis. We conduct both scheduled and unannounced inspections of the franchised stores by regional store supervisors or mystery customers, and promptly advise the relevant franchisees of their deficiencies and required work that need to be undertaken.

We have digitalized our store management and operation standards as well as the store evaluation process, which provides us with an efficient delicacy management.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any franchisee committing any material breach of their franchise agreements or being in violation of our retail policies. In addition, to our best knowledge, there was no material dispute or litigation between us and our past or present franchisees during the Track Record Period and up to the Latest Practicable Date. Furthermore, we were not aware that any of the franchised stores supervised by us was subject to any material non-compliant incidents, claims, litigation or legal proceedings, actual or threatened, during the Track Record Period and up to the Latest Practicable Date.

Service and support for franchisees

We deem the franchisees our valuable business partners who share the same long-term visions and help to serve the consumers in stores under our channel brands. Therefore, we provide various trainings for franchisees and their staff with respect to our business philosophy, development strategies, industry insights, store operational knowledge, and marketing skills. We have a designated store operation and supervisor team currently comprising over 500 people who are assigned to support and monitor daily operations of the franchised stores and promptly respond to the suggestions or enquiries of the franchisees and the staff under their responsibility. In addition, we value store managers' opinions and first-hand feedback with respect to store operations, which enable us to constantly modify and improve our store management system. Meanwhile, we facilitate the communications among store managers and from time to time introduce and demonstrate those top-performing store managers' experience and expertise to other store managers. Furthermore, we provide financial support to franchisees who are in the need of capital, see "— Financial Support Provided to Franchisees" below.

Moreover, our strong IT infrastructure has enabled us to provide digitalized service and support to all retail stores nationwide, which also allows us to monitor store performance on a real-time basis. In addition to the smart location identification system mentioned above, we are also able to effectively track and monitor the daily sales, procurement and inventory level of every store. We have upgraded our smart ordering system, and have also optimized relevant data capacity and algorithms. Our upgraded smart ordering system is able to structure and label massive data generated from the retail stores to train and deploy various data models, which not only accurately record historical performance of each retail store, but also provide a reliable estimate of market demand, projected sales, and recommended order quantity in the upcoming weeks for each store. The order recommendations vary from store to store based on various factors such as different locations, target regional consumers, popular product mix and price ranges that best match local purchasing power. By generating the order recommendations, the smart ordering system allows the retail stores to better manage inventory level, plan ordering based on product offering with optimal price ranges, thus, maximizing store sales. Such recommendation of order quantity is for the franchisee's consideration but is not mandatory. We expect to continue to optimize our smart ordering system by improving its pricing models, which we believe will eventually contribute to our revenue growth. Moreover, through our POS system, we are able to monitor the sales activities of each store on a real-time basis, which offers a base for us to better estimate inventory control and procurement adjustment. On the other hand, these effective store management tools allow our franchisees to better monitor and improve their store operations, which in turn, further enhance their trust in our franchise system.

Former Employee-Franchisees

Certain of our franchisees were our former or then employees ("**Former Employee-Franchisees**") who were motivated to develop their personal career by partnering with us through the franchise arrangements. During the early stage when we were exploring the franchise business model, the number of suitable franchisee candidates who could understand the fruit specialty franchise model was very limited. We selected and trained franchisees from then business partners with who we had established trust, including our former employees and then existing employees. Former Employee-Franchisees were able to effectively promote and develop our business model and acquire market opportunities. On the other hand, we encouraged our then employees to pursue entrepreneurial adventures which created a win-win situation. We applied the same selection criteria and procedures when considering these Former Employee-Franchisees. The franchise arrangements, including the financial support arrangements, that we entered into with these Former Employee-Franchisees contained the same terms and conditions that we offered to other third parties. We believe this was not uncommon for franchise business model. As we gradually accumulated our experience and confidence in our franchise business model, we commenced to attract franchisees other than our existing business partners to develop our business, so as to quickly acquire market share. The revenue contribution from our Former Employee-Franchisees were immaterial.

In 2019, 2020 and 2021 and the six months ended June 30, 2022, we had 11, 34, 67 and 61 Former Employee-Franchisees, respectively, who were our former employees when they opened and operated their franchised stores. These Former Employee-Franchisees operated 19, 49, 115 and 99 franchised stores, respectively, over the same periods. Their revenue contribution amounted to RMB19.8 million, RMB60.4 million, RMB109.8 million and RMB53.8 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022, representing approximately 0.7%, 0.9%, 1.2% and 0.9%, respectively, of our total revenue over the same periods.

In addition, there were 6, 8, 12 and 12 Former Employee-Franchisees in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, who remained as our employees when they opened and operated their stores. The reason for such situation was mainly because those employees had not fully completed the resignation procedures with us when they entered into the franchise arrangements. In 2019, 2020 and 2021 and the six months ended June 30, 2022, these Former Employee-Franchisees operated 12, 15, 22 and 32 franchised stores, respectively. Their revenue contribution amounted to RMB18.1 million, RMB19.2 million, RMB23.8 million and RMB22.2 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022, representing approximately 0.2%, 0.2%, 0.2% and 0.4%, respectively, of our total revenue over the same periods. These Former Employee-Franchisees subsequently decided to resign from us. As of the Latest Practicable Date, all of such Former Employee-Franchisees had completed the relevant procedures and we do not have any franchisees who remain to be our employees.

Connected Franchisees

During the Track Record Period and up to the Latest Practicable Date, four of our connected persons were also our franchisees (collectively "**Connected Franchisees**"), namely, Mr. Yu Jie and Mr. Yu Hang, two nephews of Mr. Yu, Ms. Deng Lirong, sister-in-law of Mr. Tao Jun, and Mr. Deng Lisong, brother-in-law of Mr. Tao Jun.

The franchise arrangements that we entered into with these Connected Franchisees contained the same terms and conditions that we offered to other third party franchisees. Other than the franchise arrangements and with respect to one Connected Franchisee, the interest-bearing loan arrangement as disclosed below, there were no other business relationships, including those financial support arrangements, entered into by the Connected Franchisees with us, our Directors, senior management and their respective associates.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, these Connected Franchisees operated a total of eight, nine, ten and ten franchised stores, respectively, and aggregate revenue derived from such Connected Franchisees amounted to RMB8.5 million, RMB10.3 million, RMB14.4 million and RMB8.7 million, respectively, over the same periods. Moreover, among these Connected Franchisees, one Connected Franchisee, namely Mr. Yu Hang, received interest-bearing loans from us. Mr. Yu operated two, two, two and two franchised stores as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. As of December 31, 2021, one of his franchised stores received interest-bearing loans in the amount of RMB92.5 thousand. By the end of April 2022, outstanding amount had been fully settled and no additional loan had been granted to these Connected Franchisees up to the Latest Practicable Date.

These Connected Franchisees intend to continue to act as our franchisees and operate their respective retail stores after this [**REDACTED**]. For more details about these Connected Franchisees and certain information in connection with their franchise arrangements with us, please refer to "Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions — Franchise Framework Agreements with Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong."

To the best of our knowledge, other than the Former Employee-Franchisees and the Connected Franchisees as disclosed above, there is no past or present relationship among our franchisees and our Company or the subsidiaries, their shareholders, directors, supervisors or senior management, or any of their respective associates during the Track Record Period.

During the Track Record Period, the proportion of franchised stores located in lower-tier cities out of franchised stores operated by Former Employee-Franchisees and Connected Franchisees was generally higher than the proportion of franchised stores located in lower-tier cities out of all franchised stores. The table below sets forth a breakdown of the number of stores operated by Former Employees and Connected Franchisees by city tiers for the periods indicated:

	Year Ended December 31,						Six Months Ended June 30,	
	2019		2020		2021		2022	
	#	%	#	%	#	%	#	%
Stores operated by Former Employees								
First-tier cities	4	25.0	13	37.1	27	32.9	32	29.9
Second-tier cities	2	12.5	7	20.0	18	22.0	24	22.4
Third- and lower-tier cities	10	62.5	15	42.9	37	45.1	51	47.7
Total	16	100.0	35	100.0	82	100.0	107	100.0
Stores operated by Connected Franchisees								
First-tier cities	3	50.0	3	33.3	4	40.0	4	40.0
Second-tier cities	–	–	–	–	–	–	–	–
Third- and lower-tier cities	3	50.0	5	66.7	6	60.0	6	60.0
Total	6	100.0	8	100.0	10	100.0	10	100.0

Gross profit based incentive mechanism with franchisees

We incentivize our franchisees through the gross profit based incentive mechanism under our franchise arrangements. Subject to the franchise arrangements, the sales proceeds of the franchised stores, after deducting the monthly royalty fee, repayment of loans under our financial support arrangements, if applicable, the purchase amounts of fruits and other products from us and certain other items as agreed, shall belong to the franchisees. As such, the store performance is highly related to the economic returns of the franchisees. For more details about our settlement with franchised stores, see "— Settlement and Cash Management" below.

Subject to our current franchise arrangements, as an initial commitment to the long-term effort to promote our brands and products, our franchisees are required to pay a one-off fixed sum franchise fee ranging from RMB20,000 to RMB30,000 for each franchised store within three calendar days after the execution of the franchise agreement, which is mainly used for our services to support the initial store opening and is non-refundable. The one-off initial franchise fee is recognized on a straight-line basis over the expected franchise period, identical with the franchisee's access to the franchise rights. On a case-by-case basis, we may approve a reduced upfront franchise fee for existing franchisees upon their renewal of franchise agreements or under certain circumstances, such as stores located in lower-tier cities where regional economy is less developed, or franchisees that have continuously operated multiple retail stores. In addition, during the COVID-19 pandemic in 2020 and the first half of 2022, a relatively higher proportion of franchised stores were charged with the franchise fee on the low end, and we also offered special reduction of franchise fee to encourage our franchisees. During the Track Record Period, out of 928, 695 and 865 newly opened franchised stores in 2019, 2020 and 2021, respectively, 231, 237 and 125 franchised stores enjoyed a reduction of franchise fee. Out of 431 newly opened franchised stores in the six months ended June 30, 2022, 77 franchised stores enjoyed a reduction of franchise fee. In 2019, 2020, 2021 and the six months ended June 30, 2022, aggregate one-off franchise fee collected by us amounted to RMB20.1 million, RMB12.4 million, RMB18.1 million and RMB7.3 million, respectively. Average one-off franchise fee per store amounted to RMB22,000, RMB18,000, RMB21,000 and RMB17,000, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022.

In addition, each franchisee shall also maintain cash deposits as performance bond ranging from RMB10,000 to RMB20,000 and operation bond of up to RMB60,000 for each franchised store during the term of the franchise arrangements, which shall be paid within three calendar days after the execution of the franchise agreement and may be returned upon termination of the franchise agreement after settling the deductible payables by the franchisees as agreed.

Furthermore, the franchised store is required to pay a monthly royalty fee during the term of the franchise agreement which equals to a certain percentage of its gross profit of that month subject to a detailed schedule as agreed under the franchise agreement. To further encourage and support people who have entrepreneurial spirit and knowledge of local market but in short of capital to become our franchisees, we also offer an alternative modified franchise model, pursuant to which, we cover certain costs and expenses relating to the store opening, including the store decoration and purchases of equipment, as well as the subsequent expenses relating to the equipment upgrades and additions, which are assumed by the franchisees under the regular model. Comparing with the regular model, we charge the royalty fee at a higher rate schedule with respect to the franchised stores adopting the modified arrangements. Currently, our regular royalty fee rate schedule is calculated at progressive rates of 3%, 15% and 25%, while the modified progressive rates are 8%, 20% and 30%, each based on the franchised store's different gross profit levels.

Given the varying purchasing power and operating expenses in different regions, we also consider a rental-to-gross sales ratio when determining the relevant store's monthly royalty fee. For example, if the monthly rental-to-gross sales ratio of an individual store is larger than a pre-set percentage (meaning, typically such store faces greater pressure from rental expenses) and its monthly gross profit does not exceed a pre-set amount, the relevant franchised store, which is initially applicable for the rate of 15% under the regular rate schedule, would enjoy a lower-tier rate of 3%. We believe this arrangement is a fair approach to balance the interests of stores located in different cities across the nation. Accounting-wise, the upfront franchise fee and monthly royalty fee are collectively recognized as our revenue from royalty and franchising income.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, 119, 209, 498 and 651 franchisees adopted the modified franchise model, respectively, and average costs we undertook per franchisee amounted to approximately RMB195.3 thousand, RMB174.3 thousand, RMB204.0 thousand and RMB172.6 thousand, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, 134, 264, 719 and 930 franchised stores adopted the modified franchise model, respectively, and average costs we undertook per store amounted to approximately RMB173.4 thousand, RMB138.0 thousand, RMB141.3 thousand and RMB120.8 thousand per store.

As of the Latest Practicable Date, there were 1,048 franchised stores adopted the modified arrangements, accounting for approximately 32.8% of total franchised stores newly opened in the period from January 1, 2019 to the Latest Practicable Date.

Procurement, sales return and ownership

Franchised stores supervised by us

We sell products to our franchisees. Without our prior consent, the franchisees are not allowed to sell products sourced from other third parties. Subject to our current franchise arrangements, our franchisees place orders online through our procurement system which specifies product quantity and designates store location. Our Pagoda ERP system has pre-set suggested unit prices of each type of product for the franchisees. We settle the procurement payments with the franchisees based on the unit prices on the system and the product quantity actually delivered. For more details about our settlement with franchisees, see "— Franchise Arrangements" below.

Except for the defective or misdelivered products that are identified, products sold from us generally cannot be returned. Our sales to the franchisees are without recourse. There is no obsolete stock or repurchase arrangement between our franchisees and us. In practice, the defective or misdelivered products are rare occurrences. Also considering the nature of fruits that is difficult for re-sell, in practice, we agree with the franchisees to deduct the equivalent dollar amount when calculating the next-day purchase amount, instead of actual product return.

Franchised stores supervised by regional dealers

Regional dealers purchase from us by placing orders online through our procurement system, and re-sell the products at the selling prices they set to the franchised stores within their respective designated regions. We deliver the products subject to the quantities specified in the purchase orders and the legal titles and risks of such products are typically transferred when the products are accepted by the regional dealers, most of which happen at our distribution centers. Our regional dealers are generally responsible for the logistics costs. We settle the procurement payments with regional dealers on a monthly basis. We and our regional dealers typically agree upon a certain rate for defective products. If the amount of defective products provided by us is below the pre-agreed rate, we shall not be liable for such loss. If the amount of defective products exceeds the pre-agreed rate, we will compensate our regional dealers for such portion exceeding the pre-agreed rate if such defects are not caused by the regional dealers. We will examine the reason for the defects and will claim compensation from the relevant suppliers if such defects are caused by the suppliers.

While we leverage regional dealers to facilitate in expanding and penetrating in new regional markets, our supply chain and logistic capabilities in such new regions may be limited. Under certain circumstances, such as a temporary shortage in supply of a certain type of fruit in a particular regional market, an unexpected interruption to logistic services to serve a particular region, or limited availability of seasonable fruits in a particular region for only a short period of time, we allow our regional dealers to purchase from our designated suppliers in compliance with our product quality standards and re-sell to the franchised stores under their management. Such arrangement is subject to separate settlement between the regional dealers and the relevant franchised stores. Furthermore, similar to our practice of purchasing from public market to replenish stock from time to time, we believe this allows our regional dealers to maintain flexibility and efficiency in procurement in unforeseen events affecting demand and supply.

We have adopted a number of measures to ensure that the regional dealers only procure fruit products from third parties that could meet our quality standards and comply with the applicable laws and regulations.

- Firstly, we specify in the agreements with the regional dealers that they may only procure from third-party suppliers that have been approved by us. In practice, all suppliers, including the third-party suppliers approached and sourced by the regional dealers, shall be approved by us and admitted to our supplier management system, after passing our quality inspection.

- Secondly, since all transactions, either procurements or sales, of the regional dealers and the franchised stores supervised by them shall be conducted through our ERP system, we are able to track and monitor the products in transit. Products provided by unapproved suppliers are not able to obtain the bar codes and could not be transacted in stores through our POS system. To be specific:

  - Regional dealers can only place orders through our ERP system from us or the suppliers approved and admitted by our system. Our ERP system provides a list of approved suppliers and each stock-in of the regional dealers, other than procurements from us, shall match a single supplier selected from the list.

  - Franchised stores supervised by the regional dealers can only place orders through our ERP system from the procurements stocked in by the regional dealers.

  - Moreover, various digitalized store management and customer service functions, such as membership and instant return, further systematically prevent transactions that are not approved by us.

- In addition, our regional store supervisors would always examine and confirm the source of products sold in stores during regular store performance evaluations and inspections. Mystery customers would also conduct unannounced in-store inspections from time to time. According to the agreements, if the store supervisor identifies any unauthorized procurement from third parties, the relevant regional dealers may be subject to penalties, including termination of the agreements.

To the best of our knowledge, during the Track Record Period, we did not identify any unauthorized purchase and sales that would materially and adversely affect our business or financial performance.

During the Track Record Period, there were 602, 856, 980 and 981 franchised stores supervised by regional dealers as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. According to the records of our ERP systems, the aggregate procurement of products by regional dealers amounted to RMB650.3 million, RMB929.0 million, RMB1,262.8 million and RMB699.7 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Among these, approximately 70.1%, 53.1%, 76.7% and 80.6% in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, was purchased from us, with the remaining from third-party suppliers approved by us. As such, the potential additional revenue contributed to us, if those procurements were made with us, would be approximately RMB194.3 million, RMB434.1 million, RMB294.3 million and RMB136.0 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. During the Track Record Period, other than purchases from us, our regional dealers purchased from a total of 417, 460, 167 and 76 other suppliers approved by us in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Almost all of the such suppliers are national or regional fruit distributors. Among these, approximately 83.9%, 82.0%, 67.1% and 48.7% of the designated suppliers in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, were also suppliers to us in the relevant period. The relatively higher proportion of purchases from third parties in 2020 was mainly because the regional dealers adopted a more flexible procurement strategy by securing more products from local suppliers in response to the uncertain market conditions arising from the COVID-19 pandemic. Other than in 2020, the continuous decreases in the number of such suppliers throughout the Track Record Period were mainly due to the growing maturity of our regional dealers who became better in managing their operations and required fewer small orders occurred in the relevant periods.

Under the circumstances allowed by us as described above, our regional dealers may purchase directly from our suppliers, usually on small orders, and from local suppliers that we do not transact with (collectively, the "designated suppliers"). With respect to those suppliers that only transact with the regional dealers, we will conduct quality check and include the approved ones into our supplier database. We do not participate in the direct transaction between the regional dealers and the designated suppliers, nor do we enter into any other types of revenue or profit sharing arrangements with such designated suppliers. The regional dealers negotiate the pricing and other transaction terms with the designated suppliers directly. Due to our strong quality control, supply chain and logistic capacities as well as other potential advantages benefiting from our large scale such as assured quantity and delivery time, the regional dealers chose to purchase from us over other suppliers to ensure the stable quality and timely supply most of the time. Based on the records of our ERP system, with respect to the same product, the selling price offered by the suppliers to us is generally identical to that to the regional dealers, but we may be subject to higher sales rebate mainly due to our established brand recognition and large scale. To the best of our knowledge, among all the designated suppliers of the regional dealers, 14 had received the financial support from us who were also our suppliers. In addition, there were 2, 3 and 6 companies who were our related parties, subsidiaries and investee companies, respectively. Save for the above and being the designated suppliers, there are no other past or present relationships, including, without limitation, business, family, trust, employment, shareholding, financing or otherwise, between us and the designated suppliers, their directors, shareholders or senior management, or any of their respective associates.

Due to our consistent and strong quality control throughout our operations, sales returns, either from the franchisees or from the regional dealers, were immaterial to our operational and financial performance during the Track Record Period and up to the Latest Practicable Date. According to Frost & Sullivan, our sales return policies are generally in line with industry norm.

Franchise arrangements

We enter into a set of franchise arrangements with each franchisee that mainly includes franchise agreements which typically have a term of five years, purchase agreements for fruits and other products, confidentiality agreements, and financial support arrangements, if applicable. The key terms of our franchise agreements include:

- Store location and avoidance of cannibalization among franchisees: After agreeing with us, each of our franchisees is required to operate the franchised store in the designated premise as specified under the relevant franchise agreement. Any store relocation shall be approved by us in advance and the franchisees are generally responsible for the costs and expenses associated with the relocation. We determine the distance between the stores based on our market analysis as well as commercial considerations to minimize unhealthy competition among stores.

- Suggested retail prices and discount: We set a suggested retail price as well as the maximum retail price for each of fruit products. Our franchisees may adjust the actual selling prices in store based on the suggested price which shall not exceed the maximum retail price. Each franchised store shall participate in the promotional activities initiated by us and accept the coupons, prepaid gift cards, membership redemptions or other promotions issued by us.

- Exclusivity: Without our prior written consent, our franchisees are prohibited from selling any products that are not sourced from us or providing any services that are not authorized by us. Our franchisees are also not allowed to engage in any other franchise business operated by our competitors.

- Information access: We are entitled to access operational and financial data from the franchised stores.

- Sales target: We generally do not set any sales target for our franchisees under the franchise agreement.

- Purchase orders: Purchases under the franchise agreements by our franchisees are made on a purchase order basis. By virtue of the nature of our fruits, our franchisees typically place daily purchase orders through our Pagoda ERP system with detailed product types, quality and quantity. Our franchise arrangements generally contain no minimum purchase requirements. The purchase prices and amounts for settlement are subject to the final records of our Pagoda ERP system.

- Product return: see "— Procurement, sales return and ownership" above;

- Franchise fee and royalty fee: see "— Gross profit based incentive mechanism with franchisees" above;

- Logistics: We engage third party logistics service providers to deliver our products to our franchisees generally at our expense. The logistic costs associated with the product delivery from franchised stores to consumers are generally borne by the relevant franchised stores.

- Use of brands: Our franchisees, who are authorized to use our brands, trademarks and other intellectually property rights within the designated premises, are required to protect our creditability and reputation and keep our corporate information, business know-how and trade secrets in strict confidentiality during their ordinary course of business and marketing and promotion activities. The franchised stores are generally required to adopt our uniform store decorations, product display and other promotional designs. The franchisees are not allowed to authorize other third parties to use our brands, trademarks and other intellectually property rights without our prior written consent.

- Termination: The franchise agreement may be terminated under certain circumstances. The non-defaulting party may terminate the franchise agreement if there is any material breach of agreement. For other instances, a franchisee may terminate the agreement if the store is required to vacate by its landlord and a new store premise is not contracted in a timely manner. Subject to mutual agreement, we may terminate the agreement if the performance of the franchised store remains unsatisfactory for a certain period of time. The agreement may be terminated in the event of *force majeure*.

- Event of default: We may terminate the franchise agreements due to the defaults of the franchisees, including but not limited to a change of store premise or business scope without our consent, assigning the rights and obligations under our franchise arrangements to other third parties without our consent, failing to obtain or maintain the business license or other requisite permits for the operation of the store, rejecting our in-store physical inventory check and failing to accept our supervision, preventing us from accessing the store's operational and financial information or providing false information, and other unlawful acts of the franchisees that cause the interruption of business operation of the franchised store.

- Confidentiality: We enter into confidentiality agreements with our franchisees, pursuant to which the franchisees are not allowed to disclose or to authorize other parties to use our proprietary technologies and trade secrets, which generally include information that is material to our operations but not publicly disclosed, such as proprietary fruit storage and packaging techniques, source of fruit procurement, pricing strategies and methodology, and franchise store management strategies, without our prior consent.

Financial support provided to franchisees

Pre-2019

In the early years of our development and prior to 2019, we primarily focused on selecting franchisees with the know-how and operating experience in fruit retail business and those selected franchisees were typically individual self-employed merchants (個體工商戶). We believe such approach minimized our operational risks, helped to quickly establish our recognition in the market, and facilitated our expansion of our franchised store network. To facilitate those franchisees who were in temporary need of capital for the initial startup stage of their stores, and more importantly, to sustain high-quality stores and maintain an efficient and stable long-term development of our franchised store network by attracting qualified franchisees and enhancing their willingness to participate in our franchise business, in addition to the management and service support mentioned above, we also from time to time entered into financial support arrangements under the franchise arrangements and extended loans to franchisees pursuant to such arrangements.

Historically, we provided interest-free loans to franchisees to support their initial store opening and ongoing store operation and expansion. Such interest-free loans were accounted as a part of our other receivables in our balance sheet during the Track Record Period. Pursuant to the interest-free loan arrangements, the franchisees made the repayments by means of deduction from the store sales proceeds collected by us from the second month after they received the loans. Such deduction was subject to the total amount of the sales proceeds collected by us. For more details about our settlement with franchisees, see "— Settlement and Cash Management" below.

As of December 31, 2018, we extended interest-free loans to 502 franchised stores operated by 320 franchisees and total outstanding balance was RMB70.6 million as of December 31, 2018. We ceased to offer interest-free loans to franchisees in 2019, and all the outstanding amount of such interest-free loans were fully settled. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance of the interest-free loans accounted under other receivables amounted to RMB14.0 million, nil, nil and nil, respectively, extended to 64, nil, nil and nil franchisees for their 236, nil, nil and nil franchised stores, respectively, as of the same dates. None of our Former Employee-Franchisees received the interest-free loans to support their franchised stores in 2019.

Since 2019

As we continue to improve our franchise business model, since 2019, we have renewed the financial support arrangements under the franchise arrangements, under which we start to offer interest-bearing loans to franchisee applicants in connection with new franchised stores. We also have enhanced our internal measures to ensure the repayment collection. The loans are required to be applied exclusively for the daily operation of the relevant franchised stores, mainly including expenses and costs in connection with store staff's salaries, store rental fees, store decoration and purchases of equipment. To minimize our risks, we currently set a cap amount that each franchised store may borrow from us, which is further subject to adjustment on a case-by-case basis. These policies illustrate our intention of discouraging imprudent expansion and supporting franchisees who advocate a franchise network with long-term and sustainable growth.

We review the relevant franchisee's reputation and credibility, as well as the relevant store's track record of performance before approving any loan under our financial support arrangements. We also conduct background check on the franchisees through various legitimate public information platforms, such as judgement execution search released by the people's courts and personal credit search released by commercial banks or financial institutions, which consist of the franchisee's personal credit report (including but not limited to credit loans, credit card histories through bank or financial institutions) in order to cross check and be assured that the franchisee is in good credit position. We may approve multiple loan applications from one franchisee.

Upon approval of each loan, we constantly monitor the outstanding balance and repayments. We also assess the performance of each relevant franchised store on an ongoing basis to minimize our risk exposure. We maintain an internal credit rating system for our risk management in terms of loan approval and monitoring process. To be specific, we calculate a monthly estimated operation indicator for each store, which represents the difference of the store's monthly sales proceeds minus procurement amounts and rental expenses, and compare such monthly estimated operation indicator multiplied by 12, 24 and 36 months, respectively, with the month-end outstanding loan balance, if applicable. We consider a store is in the alert position if the store's monthly estimated operation indicator multiplied by 36 monthly falls below its month-end outstanding loan balance. With respect to a franchised store in operation for less than 12 months which lacks sufficient information to establish its own creditability history, we use our pre-set credit alert amount. If the alert situation lasts for over three consecutive months, we will suspend any new loan application from this store and will initiate proactive communication with the relevant franchisee in terms of loan repayments. We may re-evaluate the store's creditability and approve new loans until its estimated operation indicator improves.

With respect to loans that are over-due (i.e. upon the termination or expiry of the relevant franchise agreements), the franchisee is liable to repay in full upon termination or expiry of the relevant franchise agreement according to the loan agreement. In case any interest repayment is overdue, we will suspend any new loan application from this store and will initiate proactive communication with the relevant franchisee in terms of loan repayments. We may accelerate the repayment collection procedure if we are aware of any material adverse change to the operations of the franchised store. We may constantly review and modify our franchisee management and financial support arrangements to better fit our evolving and expanding business operations.

The loans currently have an interest rate at approximately 4.75% per annum. Such interest-bearing loans are accounted as part of our other receivables during the Track Record Period. In addition, given our enhanced brand recognition and improved franchise system, except for special circumstances, we no longer accept loan applications for store opening at the initial stage of business and our loans shall only be extended to franchisees, including both franchisees directly recruited by us and franchisees referred to us by regional dealers, whose stores have commenced commercial operation. Under the interest-bearing loan arrangements, both parties agree that the principal amount of the loans shall be fully repaid prior to the expiry of the relevant franchise arrangements which typically have a term of five years, and the interests are paid on a monthly basis and may be paid by means of deduction from the store sales proceeds collected by us. In practice, our franchisees are entitled to repay part or all of the outstanding amounts at any time prior to the expiry of the loans, by means of their free cash or a deduction from their store sales proceeds subject to mutual agreements. During the term of the loans, when the relevant franchisee is making profit and subject to mutual agreement on early repayments, the franchisee may allow us to deduct the repayments from the store sales proceeds collected by us. Risk assessment standards and loan agreement terms are identical for both franchisees directly recruited by us and franchisees referred to us by regional dealers.

The table below sets forth the changes in the balance of interest-bearing loans to our franchisees, including both franchisees directly recruited by us and franchisees referred to us by regional dealers, during the Track Record Period.

	For the Year Ended/As of December 31,			For the Six Months Ended June 30,
	2019	2020	2021	2022
	RMB'000			
Beginning of the year/period	–	50,226	131,617	178,990
Aggregate new loans	56,002	119,418	84,175	44,846
Aggregate repayment	(5,776)	(38,027)	(36,802)	(33,069)
End of the year/period	50,226	131,617	178,990	190,767

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balance of the interest-bearing loans accounted under other receivables amounted to RMB50.2 million, RMB131.6 million, RMB179.0 million and RMB190.8 million, respectively, extended to 196, 200, 309 and 421 franchisees for their 512, 621, 815 and 971 franchised stores, respectively, as of the same dates. Among these, there were 2, 4, 15 and 16 Former Employee-Franchisees who received the interest-bearing loans to support their 2, 4, 26 and 32 franchised stores as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, and as of the same dates, the outstanding balance of such loans provided to Former Employee-Franchisees accounted under other receivables amounted to RMB0.1 million, RMB0.3 million, RMB1.9 million and RMB4.2 million, respectively. Aggregate revenue contributed by the franchised stores that obtained the interest-bearing loans from us amounted to RMB187.3 million, RMB265.2 million, RMB334.5 million and RMB273.4 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. Among these, revenue contributed by Former

Employee-Franchisees who obtained the interest-bearing loans from us amounted to RMB0.9 million, RMB4.9 million, RMB16.4 million and RMB9.8 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. In addition, one of our Connected Franchisees received interest-bearing loans from us in 2021, see "— Franchised Stores — Connected Franchisees" above for more details. The conditions and terms provided to Former Employee-Franchisees and the Connected Franchisee, including the interest rate, were generally identical to those provided to other third-party franchisees.

The significant increase in interest-bearing loans extended to franchisees in 2020 was primarily due to the increase in the number of newly opened stores as a result of our store network expansion. It was also attributable to the uncertain business environment arising from the COVID-19 pandemic in 2020.

During the Track Record Period, aggregate additions of interest-bearing loans were RMB304.4 million, which consisted of RMB269.6 million extended to stores remaining in-operation and RMB34.8 million to stores that had closed as of June 30, 2022. During the Track Record Period, total repayments amounted to RMB113.7 million, which consisted of RMB90.0 million from stores in operation and RMB23.6 million from stores that had closed as of June 30, 2022. As such, as of June 30, 2022, the respective outstanding balances of interest-bearing loans to franchisees for stores in-operation and closed were RMB179.6 million and RMB11.2 million, respectively. In addition, approximately RMB4.5 million of the outstanding balance due from franchisees for stores closed was subsequently collected as of October 31, 2022. Among the remaining outstanding balance of approximately RMB6.7 million, RMB3.2 million is due within 365 days and RMB3.5 million over 365 days. We made total loss allowance of RMB3.7 million as of June 30, 2022 based on assumptions and evaluation on the risk of default and expected loss rates.

The ageing analysis of our interest-bearing loans by due date (i.e. the termination or expiry of the relevant franchise agreements) is as follows:

	As of December 31,						As of June 30, 2022	
	2019		2020		2021			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Not yet due	49,530	98.6	126,823	96.4	166,692	93.1	179,571	94.1
Overdue by 1-180 days	696	1.4	2,843	2.2	3,985	2.2	5,373	2.8
Overdue by 180-360 days	–	–	1,669	1.3	4,504	2.5	1,756	0.9
Overdue by over 1 year	–	–	282	0.2	3,809	2.1	4,067	2.1
Total outstanding balance	50,226	100.0	131,617	100.0	178,990	100.0	190,767	100.0
Loss provision	(1,005)	(2.0)	(2,488)	(1.9)	(3,483)	(1.9)	(3,700)	(1.9)

Subsequent settlement as of October 31, 2022 since the end of relevant year/period end

	Settlement Amount	Percentage of Outstanding Amount as of the Relevant Date	Settlement Amount	Percentage of Outstanding Amount as of the Relevant Date	Settlement Amount	Percentage of Outstanding Amount as of the Relevant Date	Settlement Amount	Percentage of Outstanding Amount as of the Relevant Date
Not yet due	(31,195)	(63.0)	(42,030)	(33.1)	(30,075)	(18.0)	(12,066)	(6.7)
Overdue by 1-180 days	(646)	(92.8)	(2,031)	(71.4)	(3,273)	(82.1)	(3,050)	(56.8)
Overdue by 180-360 days	–	–	(833)	(49.9)	(2,425)	(53.8)	(884)	(50.3)
Overdue by over 1 year	–	–	(232)	(82.3)	(2,111)	(55.4)	(552)	(13.6)
Total settlement	(31,841)	(63.4)	(45,126)	(34.3)	(37,883)	(21.2)	(16,551)	(8.7)

Each franchisee undertakes personal guarantee under the loan agreements and shall be personally liable for the outstanding amounts. Pursuant to the agreements, we have the right to claim repayments from the relevant franchisee even after the store is closed. With respect to the outstanding balance of RMB11.2 million extended to franchisees whose stores had closed as of June 30, 2022, we had subsequently collected RMB4.5 million up to October 31, 2022, reducing the uncollected interest-bearing loan balance to stores closed prior to June 30, 2022 to RMB6.7 million, with total loss allowance of RMB4.0 million as of October 31, 2022.

Considering the historical loan repayments of our franchisees, the overall performance of the franchised stores currently, our settlement arrangements with franchisees by collecting store sales proceeds on their behalf, as well as our monitoring and management measures implemented with regard to loans extended to the franchises, our Directors believe that the financial supports provided to franchisees do not have a material risk of uncollectible loans. In 2019, 2020 and 2021 and the six months ended June 30, 2022, we were able to collect RMB5.8 million, RMB38.0 million, RMB36.8 million and RMB33.1 million for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, accounting for approximately 11.5%, 28.9%, 20.6% and 17.3% of outstanding balance of the interest-bearing loans accounted under other receivables as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, provision made against interest-free loans and interest-bearing loans due from franchisees accounted for approximately 2.0%, 1.9%, 1.9% and 1.9% of total outstanding interest-free loans and interest-bearing loans due from franchisees as of the same dates.

Furthermore, pursuant to the arrangements between the franchisees and us, we are entitled to terminate the financial support arrangement and request for an immediate full repayment of outstanding principal and interests under certain circumstances, including but not limited to continuously deteriorating performance of the franchised store, termination of franchise business relationship, failure of the franchisee to repay principal and interests on time, extending loans or providing guarantees to other third parties by the franchisee without our prior consent, failure to maintain the requisite business license of the franchised store, or partly or fully losing civil capacity of the franchisee.

We make provision for interest-free loans to franchisees and interest-bearing loans to franchisees by considering credit rating of the counter-parties and historical loss rates, existing market conditions and forward-looking macroeconomic data. During the Track Record Period, there was no termination of franchise arrangements due to the failure of franchisees to repay their loans. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any franchisees that had experienced material financial difficulties and/ or was in material breach of the loan agreements with us.

Regional dealers are prohibited from providing any form of financial support to franchisees. To our best knowledge, we are not aware of any material breach of such term by our regional dealers with respect to unapproved financial support.

Our PRC Legal Adviser is of the view that our financial support arrangements with franchisees are valid and legally binding. Please also refer to "— Compliance of Financial Support Arrangements" for more details.

Self-operated Stores

We maintain a limited number of self-operated retail stores mainly to comply with the relevant legal requirements for franchise business under the PRC laws. In 2019, 2020 and 2021 and the six months ended June 30, 2022, we had 5, 9, 15 and 16 self-operated stores, respectively. We adopt the same standards and procedures to manage our self-operated stores as those for the franchised stores and our self-operated stores are connected to the same integrated IT system.

As of the Latest Practicable Date, our 19 self-operated stores were located in 6 cities, including Beijing, Hangzhou and Shenzhen. Our self-operated stores are strategically located in areas with high consumer traffic, such as airport and large scale enterprise campuses. We intend to leverage these self-operated stores for the trial and exploration of new business formats and retail opportunities, such as cashierless retail store.

We leased premises for all our self-operated stores and the lease agreements generally have a term ranging from three to six years. We have also obtained all requisite licenses for our self-operated stores.

During the Track Record Period, revenue contributed by our self-operated stores amounted to RMB36.6 million, RMB39.2 million and RMB48.3 million, respectively, for the years ended December 31, 2019, 2020 and 2021. In the six months ended June 30, 2021 and 2022, revenue contributed by our self-operated stores amounted to RMB23.8 million and RMB31.7 million, respectively.

Regional Dealers

As the network of franchised stores under our supervision became relatively mature by 2017, we contemplated to further accelerate the store network expansion by entering into new regional markets to acquire more market share nationwide. However, we may have limited local resources in certain regions. As such, to accommodate the continued rapid network expansion, since mid-2018, we have commenced to engage regional dealers to facilitate us in exploring regional markets, identifying and referring new franchisees, and managing franchised stores within a designated region. We typically select people who have strong local knowledge and resources, including but not limited to better understanding of local culture and business practice, capacity and experience in local franchise business development and administrative procedures, and insights into local customer preference, and prior retailing experience as our regional dealers. Such regional dealers are able to facilitate us to penetrate local markets and acquire market shares. During the Track Record Period and up to the Latest Practicable Date, our regional dealers were primarily private companies having experience in retail industry and local resources, capable of quickly establishing distribution centers meeting our requirements. According to Frost & Sullivan, it is not uncommon to engage regional dealers in our industry in China and our business model is generally in line with industry practice.

We believe that engaging regional dealers in selected regions provides us with a number of benefits in rapidly establishing local presence through (i) minimizing our direct time and capital investments in head-hunting, training and serving franchisees qualified to operate franchised stores, (ii) optimizing storage, logistic and other related cost and expense structure by leveraging the distribution centers operated by the regional dealers themselves, (iii) generating a relatively stable revenue and profit stream to our Group, comprising (a) a stable gross profit margin at 0.9%, 0.9%, 1.0% and 1.0% in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, derived from sales of products to such regional dealers, (b) royalty income generally starting from 0.5% of the relevant regional dealer's sales of products to franchised stores supervised by it, the rate of which is subject to an annual increase with a cap of 2.5% pursuant to our agreements with regional dealers, and (c) a potential reasonable increase in the above-mentioned economic contributions due to our strong bargaining power against suppliers resulting from increasing economies of scale. In addition, we still receive the royalty fees from the franchised stores supervised by the regional dealers. As such, although we did not experience any difficulty in approaching and procuring franchisees on our own during the Track Record Period, we intend to continue to maintain the regional dealers in selected regions. However, we engage regional dealers as a supplementary sales channel to franchised stores supervised by us. In regions where we have the capacity to manage self-operated stores and/or we can supervise franchised stores at reasonable costs and expenses, we prefer to adopt franchise business model. During the Track Record Period, the number of our regional dealers remained generally stable, although the total number of franchised stores supervised by regional dealers continued to increase.

One of the major duties of the regional dealers is to identify and refer franchisee candidates to us. Potential franchisee candidates identified and referred by these regional dealers are subject to the same selection criteria as those applied to franchisees recruited by us. Franchisee candidates referred by regional dealers, upon our approval, will enter into the franchise arrangements with us directly. To avoid unhealthy competition, we specify the designated regional markets for each regional dealer which shall not overlap. Currently, with respect to each regional dealer, the designated region is typically a prefecture-level city and/or with certain surrounding areas as specified under the relevant agreements. The right authorized to the regional dealers to identify and refer to us new franchisees is exclusive within such designated region. We shall not enter into franchised arrangements with any candidate identified by ourselves or referred to us by other third parties. Instead, in the case where there is a potential candidate we consider fit to act as our franchisee which is located in the designated region where we engage regional dealers, we may advise the relevant regional dealer to approach such party and if a franchise agreement is eventually entered into, this party will be counted as a franchisee referred to us by the regional dealer. All franchised stores located in a designated region where we engage regional dealers are considered as franchised stores supervised by regional dealers and shall generally purchase from them. We believe this approach is able to motivate our regional dealers and mitigate unhealthy competition between us and regional dealers and among regional dealers themselves. Our arrangements with the regional dealers set out a detailed retail store expansion schedule during the term of the arrangement. The number of new franchised stores to be opened and the accumulative number of stores in operation under the referral and facilitation of the regional dealers are subject to a respective yearly minimum target. Pursuant to the arrangements, if a regional dealer fails to meet the minimum store opening target for a consecutive period, we are entitled to recruit new franchisees in the relevant region on our own, claim a default penalty, or terminate the arrangements with the regional dealer.

Moreover, pursuant to our arrangements with regional dealers, we delegate to the regional dealers certain managerial responsibilities over the franchised stores in their designated regions. They are required to follow the management standards we have implemented for franchised stores to support, supervise and monitor the daily operations of the stores under their responsibility. Based on the store performance of the franchised stores managed by each regional dealer, we share with them the royalty fee received from the franchised stores under their management based on a predetermined percentage, which is settled on a semi-annual basis. In addition, the regional dealers shall pay the procurement royalty fee on a yearly basis, see "— Procurement and Logistics" below.

Moreover, the regional dealers are required to pay us a fixed sum of brand franchise fee within three calendar days after entering into the cooperative arrangements, which is not refundable. The brand franchise fee paid by our current regional dealers ranged from RMB0.5 million to RMB1.0 million, which is recognized on a straight-line basis over the expected contract term. The cooperative arrangements may be renewed subject to mutual agreement of both parties upon expiry and we may exempt the brand franchise fee for the renewed arrangements. Once a franchisee candidate referred to us by the regional dealer has entered into the franchise arrangements with us and successfully opened its franchised store, we will pay a predetermined fixed amount of one off business development fee to the relevant regional dealer based on the number of new stores opened.

During the term of the cooperative arrangements, the regional dealers shall pay us the procurement royalty fee based on the lower of (i) the predetermined percentage (typically accelerating from 0.5% to 2.5% in the term of the arrangements) of the total procurement amounts from us for the franchised stores managed by the respective regional dealers, or (ii) an agreed yearly minimum procurement royalty fee. We do not set a minimum procurement target for our regional dealers nor the franchised stores under their management.

Our current arrangements with regional dealers have a term of ten years, subject to renewal upon mutual agreement. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had engaged 12, 14, 13 and 13 regional dealers, respectively. As of the Latest Practicable Date, the number of regional dealers remained at 13. The table below sets forth the changes in the number of our regional dealers during the Track Record Period.

	Year Ended December 31,			Six Months Ended
	2019	2020	2021	June 30, 2022
Beginning of the year/period	7	12	14	13
Additions	5	2	0	0
Terminations	0	0	(1)	0
Net increase	5	2	(1)	0
End of the year/period	12	14	13	13

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we contracted with 135, 263, 337 and 358 franchisees referred by regional dealers, respectively, who in aggregate operated 602, 856, 980 and 981 franchised stores supervised by regional dealers, respectively. All of our regional dealers during Track Record Period and up to the Latest Practicable Date were independent third parties from us. There were no other past or present relationships, including, without limitation, business, family, trust, employment, shareholding, financing or otherwise, between us and the regional dealers, their directors, shareholders or senior management, or any of their respective associates, save for regional dealership arrangement.

Procurement and Logistics

Franchised stores supervised by the regional dealers also use our store-level POS system to process their store sales and use our procurement system to place orders. Pursuant to our arrangements with the regional dealers, they purchase from us or from other local suppliers subject to our quality standards, then re-sell to the franchised stores in their designated areas based on the quantities specified in the purchase orders. During the Track Record Period, revenue derived from sales of products to regional dealers represented the revenue in connection with sales to regional dealers, which did not necessarily reflect the actual sales generated from those franchised stores managed by the regional dealers. In this Document and for illustrative purposes, reference to revenue derived from sales of products to franchised stores managed by the regional dealers is represented by the revenue derived from sales of products to the regional dealers, while reference to aggregate revenue contribution of total franchised stores includes revenue derived from sales of products to franchised stores supervised by us plus revenue derived from sales of products to the regional dealers.

Our regional dealers are our customers, not our agents. Fruits sold from us to our regional dealers belong to them upon acceptance and cannot be returned. Our sales to the regional dealers are without recourse. There is no obsolete stock or repurchase arrangements between our regional dealers and us. We adopt the cost-plus method to price the products sold to regional dealers. They may set the selling prices at their discretion and re-sell the products to the franchised stores within their respective designated regions. Nevertheless, the selling prices at these franchised stores are subject to our limits of suggested retail prices and maximum selling prices.

To ensure the high quality of the products provided to the franchised stores managed by the regional dealers, they are required to establish the regional preliminary processing and distribution center in compliance with our quality requirements, and are responsible for the logistics within its designated region. The regional dealers shall comply with our fruit quality standards throughout their management over the logistics and warehousing processes.

During the term of the cooperative arrangements and without our prior consent, the regional dealers are not allowed to provide logistics, warehousing and sales services to other third parties. In the event of default, we are entitled to claim the default penalty and may terminate the arrangements in the case of continuing breach.

Our nationwide warehousing network currently has 29 preliminary processing and distribution centers, 16 of which are operated by us, including two leased from third-party warehousing service providers. The remaining 13 are leased and managed by our regional dealers following our quality requirements.

Financial support provided to regional dealers

To facilitate a steady growth of our regional dealers, in particular, at the initial stage of their business relationship with us, who may need financial resources to procure, penetrate into local market, engage local franchisees, and expand regional logistic capability, we provide financial support to regional dealers by means of factoring arrangements through our wholly-owned subsidiaries.

Our wholly-owned subsidiaries, namely, Pagoda Preliminary Processing, Pagoda Supply Chain and Shanghai Pagoda, are the key suppliers of products to regional dealers (collectively, the "**Regional Dealers' Key Suppliers**"). There are outstanding purchase amounts due to us from regional dealers before settlement with regional dealers each month. For more details about settlement with regional dealers, see "— Settlement and Cash Management — Settlement with Regional Dealers." Our wholly-owned subsidiary, Shenzhen Yitong, is a qualified factoring company in China and the factoring arrangements service provider.

Pursuant to the factoring arrangements among regional dealers, Regional Dealer's Key Suppliers and Shenzhen Yitong, regional dealers can apply for factoring amount from Shenzhen Yitong and such factoring amount is limited to their monthly outstanding purchase amounts due to Regional Dealers' Key Suppliers. Shenzhen Yitong shall approve the factoring amount applications on a case-by-case basis, by reviewing factors including outstanding purchase amounts, maximum factoring amount granted that is guaranteed by the shareholders of the regional dealers, their credibility, performance of franchised stores supervised by regional dealers. After the factoring amount application is approved by Shenzhen Yitong, the Key Suppliers of the regional dealers would transfer the corresponding trade receivables due from such regional dealers to Shenzhen Yitong without recourse. Shenzhen Yitong would then settle such trade receivables on behalf of the regional dealers and release the factoring amounts to regional dealers as a result. We review and assess the risk exposure of the factoring arrangements only based on the transactions between the regional dealers and us and our factoring arrangements with them are backed only by their transactions with us. In practice, by virtue of our POS system, we receive the gross store sales proceeds of franchised stores supervised by the regional dealers, and on a monthly basis, remit such amount to the bank accounts designated by the regional dealers after deducting, if applicable, the royalty fee and the outstanding purchase amounts. Interests arising from the factoring amounts are borne by the regional dealers. Interest and the principal on the interest-bearing factoring amounts under our financial support arrangements, if applicable, may be repaid from regional dealers' own pockets. Since all factoring arrangements with our regional dealers are on non-recourse terms, the relevant regional dealer remains as the only debtor responsible for any outstanding amounts after the trade receivables are transferred and Shenzhen Yitong is entitled to collect outstanding amounts from the relevant regional dealer rather than from the Key Suppliers.

We apply a uniform interest rate for all regional dealers under our factoring arrangements, but review and adjust such rate from time to time based on changing market conditions. The interest rate of our factoring arrangements with regional dealers were subject to several downward adjustments during the Track Record Period. We reduced the interest rate from 12.0% to 9.6% in January 2020, indicating our support to regional dealers during the COVID-19 outbreak. Due to the unexpected resurgences of outbreak in multiple cities in China, we further reduced the interest rate to 4.75% effective from September 2020 onwards. Interests are payable by the regional dealers and shall be repaid on a monthly basis. During the Track Record Period, the term of individual factoring financing arrangements was typically six months.

We make provision for factoring amounts to regional dealers by considering credit rating of the counter-parties and historical loss rates, existing market conditions and forward-looking macroeconomic data. Due to the sound financial performance and credit status of our regional dealers, during the Track Record Period and up to the Latest Practicable Date, we did not encounter any default of our regional dealers under our factoring arrangements.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the aggregate outstanding factoring amounts under these arrangements were RMB148.0 million, RMB179.8 million, RMB221.5 million and RMB169.5 million, respectively, involving 10, 12, 13 and 13 regional dealers, respectively. Revenue derived from regional dealers with outstanding factoring amounts at relevant period end accounted for approximately 5.1%, 5.5%, 9.0% and 9.5% of our total revenue from sales of fruits and other food products in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. In addition, as of December 31, 2019, 2020 and

2021 and June 30, 2022, these factoring amounts accounted for approximately 47.9%, 43.1%, 44.0% and 27.0%, respectively, of the relevant accountant receivables arising from regional dealers' purchase amounts from us which were subject to and within the six-month factoring term as of the relevant period end. The aggregate revenue contribution of such regional dealers was approximately RMB455.9 million, RMB493.6 million, RMB968.0 million and RMB563.7 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. In 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate max factoring amounts extended to the regional dealers accounted for approximately 22.8%, 23.7%, 20.8% and 28.4% of the aggregate procurements they made, including procurements from us and the designated suppliers, in the relevant periods. For more details, please see "Financial Information — Current Assets/Liabilities, Net — Deposits, prepayments and other receivables."

The table below sets forth subsequent settlement of the balance receivable under the factoring arrangements with regional dealers outstanding as of the dates indicated.

	Period-end outstanding balance	Repayment within 1 year	% of total outstanding balance
	RMB'000		
As of December 31, 2019	148,035	148,035	100%
As of December 31, 2020	179,835	179,835	100%
As of December 31, 2021	221,478	221,478	100%
As of June 30, 2022	169,537	169,537	100%[1]

Note:

(1) Up to October 31, 2022.

We review the relevant regional dealer's reputation and the relevant franchised stores' performance before approving any factoring arrangement. We may approve multiple factoring amount applications from one regional dealer. We track the usage of the amounts by monitoring the procurements from us on an ongoing basis and assess the performance of the relevant stores, so as to manage our risks. If we acknowledge any material adverse change to the management team or to the performance of any franchised stores of a regional dealer, we may request early repayment from the regional dealer. We believe our regional dealers were in a good financial position as of the Latest Practicable Date.

Considering the historical factoring amount repayments of our regional dealers, the overall performance of the franchised stores currently, and our monitoring and management measures implemented with regard to financings extended to the regional dealers, our Directors believe that the financial support provided to regional dealers do not have a material risks in connection with the outstanding amounts. As of December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, provision made against factoring amounts due from regional dealers accounted for approximately 1.6%, 2.1%, 1.9% and 1.8% of total outstanding factoring amounts due from regional dealers, gross, as of the same dates.

Shenzhen Yitong's current licensed business scope has covered factoring business. In addition, according to an interview participated by us and our PRC Legal Advisor with the Shenzhen Municipal Local Financial Regulatory Bureau on June 15, 2022, Shenzhen Yitong has obtained all requisite qualification to conduct the factoring business without further qualifications. Our PRC Legal Adviser is of the view that the above-mentioned factoring agreements do not contravene any applicable laws and regulations in all material aspects in China. Our PRC Legal Adviser is of the view that our financing agreements with regional dealers are valid and legally binding. Please also refer to "— Compliance of Financial Support Arrangements" for more details.

Other Distribution Channels

Online Channels

We have established multiple self-operated online channels, comprising Pagoda mobile APPs, Pagoda WeChat mini-program, storefronts on mainstream e-commerce platforms such as Tmall and JD.com, as well as on popular social commerce platforms, such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me, which provide instant delivery fleets to fulfill the online orders.

We launched our mobile APPs on iOS and Android application system in 2016 which offers a flexible and easy way for consumers to browse our products and place orders. Services on our mobile APPs are location-based. Therefore, when placing an order, consumers may choose to pick up in person at a designated store nearby or to request home delivery. In most regions, we are now able to provide instant delivery in as short as 29 minutes. Our APPs will also automatically recommend the nearest store location for the consumer based on its device location information. By the end of August 2022, our mobile APPs had been downloaded and installed over 19.2 million times.

In addition, we started our WeChat mini-program to market and sell products in the first half of 2018. As of the Latest Practicable Date, the number of WeChat users that accessed our WeChat mini-program exceeded 53 million. We are able to leverage this most popular and engaging social commerce platform in China to access a huge potential consumer base and to use its integrated payment system to facilitate the transactions. Under our supervision, our retail store managers operated approximately 49,800 store-based WeChat groups to engage in real-time communication and transact with over 8.5 million WeChat community followers. WeChat groups and official WeChat account are able to effectively reach a large number of followers and constantly convey information with respect to our products or promotional events, attracting our consumers to place online orders or visit offline retail stores. Similar to delivery services available on our mobile APPs, consumers placing orders through our WeChat mini-program may also choose from the just-in-time delivery or the next-day delivery. Under either option, they may further opt to pick up at a designated store or request home delivery at a time slot they prefer.

In 2019, we established a strategic partnership with Tmall and opened our flagship store on Tmall. We have also commenced our storefronts on other mainstream e-commerce platforms in China, including JD.com. Riding on the booming trend of social commerce in China, we have established our presence on popular social commerce platforms, such as Douyin. Furthermore, having witnessed the online food delivery revolution in China in these past years, we have built cooperation with major domestic food delivery platforms, including Meituan, Koubei and Ele.me.

During the Track Record Period, the proportion of the online orders out of our total orders increased from approximately 19% in 2019 to 22% in 2020, and further to 23% in 2021. In the six months ended June 30, 2022, the proportion of the online orders out of total orders exceeded 25%. Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by next-day delivery, and sales derived from online orders through third-party e-commerce and social commerce platforms are counted as our revenue since such orders are processed and performed by us. Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by just-in-time delivery, and sales derived from online orders through third-party food delivery platforms are sales revenue of the relevant store which processes and performs the order.

During the Track Record Period, total number of online transactions, revenue of which was recognized as our revenue, amounted to approximately 0.4 million, 6.5 million, 6.8 million and 2.3 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Among these, approximately 46.4%, 17.4%, 23.6% and 25.5% was contributed by our paying members. The significant increase in the number of online transactions from 2019 to 2020 was primarily a result of our enhanced online marketing efforts, our operation of new online channels, such as Tmall, and the full launch of Panda.F during 2020. Moreover, the prolonged COVID-19 pandemic also significantly contributed to the increasing online purchasing in China. In 2022, we strategically reduced our reliance on third-party e-commerce and social commerce platforms and shifted to our own Pagoda mobile APPs and Pagoda WeChat mini-program for Panda.F business by offering high-quality fresh groceries. As a result, sales per order of Panda.F business increased by 128.6% from RMB22.5 for the six months ended June 30, 2021 to RMB51.5 for the corresponding period in 2022, while total number of online transactions decreased from 3.9 million for the six months ended June 30, 2021 to 2.3 million for the corresponding period in 2022.

During the Track Record Period, we recorded negative gross profit margin on online channels in 2020 and 2021. For more details about the gross profit margin on our online channels, please refer to "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin." We believe the thin gross profit margin on online channels was due to the relatively higher costs and expenses we incurred since our acceleration of online operations since 2019. We expect the gross profit margin on online channels will improve from increasing economies of scale of our online business, as we continue to optimize online product offerings, especially the products under our Panda.F brand, and to foster a broader and more engaging consumer base.

Settlement with Third-party Platforms

We entered into cooperative agreements with third-party platforms, including e-commerce platforms, social commerce platforms and food delivery platforms, to promote and sell our products on such platforms. Pursuant to those agreements, we pay processing fees to these platforms, typically at a rate of 1% up to 12.5% of total transaction value, subject to different types of services provided by different platforms. Since these platforms typically adopt their respective standard agreements, the processing fees rates we are charged are in line with the then prevailing market rates. The settlement cycle is typically within one to three days. These platforms deploy the online payment systems certified by them and collect payments from online users. Sales proceeds are settled with us at the end of each settlement cycle and the relevant amounts are transferred to our designated accounts after both parties reconcile and confirm the transaction records. By doing so, it simplifies the administrative procedures and reduces the costs for our franchisees to access those platforms. Furthermore, the third-party platforms generally adopt their standard form agreements, which provide, other than the above-mentioned payment arrangements, terms and conditions that the platforms shall be responsible for the stable operation of such platform and shall provide the services facilitating the online transactions, such as product display, order management, delivery allocation and online payment. In addition, we are more likely than individual franchised stores to obtain favorable commercial terms from those platforms, such as the lower processing fee rate and the higher discount rate. As a food supplier, we undertake that we have obtained the requisite qualification for our operations and make product quality control in the cooperative agreements. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims against our product quality and safety.

During the Track Record Period, we incurred processing fees in connection with online orders which were recorded as our revenue on third-party platforms, i.e. Tmall and JD.com. Aggregate transaction value of such online orders on these two platforms amounted to approximately RMB27.8 million, RMB187.4 million, RMB190.9 million and RMB49.9 million in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The actual processing fee rate as a percentage of transaction value of the aforementioned online orders was approximately 7.2%, 9.8%, 10.5% and 8.5% in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. Aggregate processing fees we incurred during the Track Record Period in connection with the aforementioned online orders which were recorded as our revenue were approximately RMB2.0 million, RMB18.4 million, RMB20.1 million and RMB4.2 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. The gradual increases in fee rates from 2019 to 2021 were mainly because we subscribed more value-added online promotional and marketing services with the relevant third-party platforms as we continued to develop our online business. Since 2022, we reduced the purchases of such value-added online promotional and marketing services from the third-party platforms and strategically focused on our Panda.F operation through our own Pagoda mobile APPs and Pagoda WeChat mini-program, online orders through which were not subject to the above-mentioned processing fees. Such third-party platform processing fees are accounted for as our marketing and promotion expenses under selling expenses. Processing fees in connection with online orders that are recognized revenue of the relevant stores that process and perform the orders are borne by the relevant stores.

Others

In addition to online channels and offline store network, we also engage in direct sales to certain major customers, such as enterprises, restaurants and high-speed railway companies that have catering needs. We have a dedicated key customer service department to develop and maintain the relationship with such corporate customers. Since 2022, we have accelerated our development of direct sales business by establishing favourable pricing strategy in order to expand our corporate customer base. Leveraging our experience in establishing channel brands, we have been in the process of developing reputable channel brands for direct sales business. In addition, we have commenced to further promote our direct sales business by enhancing our marketing presence for our online flagship stores and on live-streaming platforms. We host livestream sessions and broadcast vivid content to attract and interact with online customers and promote our brand recognition. Leveraging the large user base of popular social commerce platforms, we promote community group buying initiatives to offer products at favorable prices to collective buyers within communities nearby.

In addition, although our business mainly focuses on the retailing of fruits and other fresh groceries, on a limited scale, we also engage in fruit wholesale business through our subsidiaries, Haiyang Jinchengtai and Hainan Wangpin. Our wholesale customers are mainly large supermarkets and fruit distributors.

SETTLEMENT AND CASH MANAGEMENT

Payment at Stores

The retail stores accept various payment options, such as cash, credit cards as well as various mobile payment tools like Alipay and WeChat Pay. The majority of the consumers nowadays prefer mobile payment. In addition, our consumers may also use the prepaid gift cards or reloadable prepaid virtual wallets to consume in store. Our current settlement arrangements with franchisees enable us to manage such prepaid amounts. We have completed the requisite filing procedure with respect to the issuance of single use commercial prepaid cards with the relevant government authorities. On the other hand, online transactions on third-party platforms are processed by the online payment systems as certified by the platforms. Alipay, WeChat Pay and the online payment systems deployed by the third-party platforms are all popular and well-established digital payment methods in China nowadays, all of which are independent from us.

To ensure the authenticity and accuracy of record keeping of the sales activities in the retail stores, we implement an integrated store-level POS system which is linked to and monitored by our Pagoda ERP system on a real-time basis. We have in place stringent and detailed settlement and cash management policies with respect to POS system front-end operations and the logistics with respect to collection, safekeeping and depositing of cash that the franchised stores are required to comply with.

Credit card and digital payments shall only be directly paid to our designated accounts. As for cash sales, we require each franchised store to record the cash receipts and deposits to POS system and deposit cash to our designated bank accounts on a daily basis. To avoid misappropriation and illegal uses of cash, on the second day, our back-end financial personnel conduct reconciliations among cash deposits as reported by the stores, bank statements and in-store sale records, and prepare a cash long-and-short daily report to follow up in case of any discrepancies during the reconciliation.

Settlement with Franchisees

Considering the nature of fruits and other fresh groceries (such as quality defects), the generally stringent qualification and food safety requirements imposed by third-party platforms (such as Meituan, Koubei and Ele.me), as well as our overall development strategies including the risk control measures in connection with our financial support provided to franchisees, our instant refund service, and the application of prepaid gift cards and reloadable prepaid virtual wallets, we have developed and formed our current settlement arrangement with the franchised stores that we collect all sales proceeds of the franchised stores, including the franchised stores supervised by us and the franchised stores supervised by the regional dealers, on their behalf which are subject to monthly settlement from end consumers by early next calendar month.

We leverage our integrated POS system to monitor the sales activities in all of the franchised stores. In practice, we receive the gross store sales proceeds of franchised stores, including the franchised stores supervised by us and the franchised stores supervised by the regional dealers, and on a monthly basis, remit such amount after deducting, in such following order, the monthly royalty fee, the reserved working capital requested by franchised stores which is approved by us (if applicable, only with respect to franchised stores opened prior to January 1, 2019), and the outstanding purchase amounts of fruits and other products due to us and regional dealers, then remit the remaining amount, if any, together with the reserved working capital back to the bank account provided by the relevant franchisee. Generally, the interests and the principal on the interest-bearing loans under our financial support arrangements, if applicable, may be repaid from franchisees' own pockets which is separate from the above-mentioned settlement arrangement. For more details about our monthly royalty fee, see "— Franchised Stores — Gross profit based incentive mechanism with franchisees."

In the early stage of our operation and up to 2019, we granted to franchised stores opened prior to January 1, 2019 a discretionary credit term of up to three months to our franchisees to ease their potential cash flow constraints. Considering the growing maturity of our franchise business model as well as the operational capability of our new franchisees as a whole, we modified our franchise model in 2019 and ceased to offer the credit term to newly opened franchised stores, mainly to mitigate the liquidity risk exposure. However, as franchisees with stores opened prior to January 1, 2019 generally had a long-term relationship with us, were familiar with our business and had a good creditworthiness in payment and, importantly, we did not wish to disrupt the existing cash conversion and settlement cycle of such stores, we decided to continue the discretionary credit term policy for franchised stores opened prior to January 1, 2019. As of December 31, 2021, approximately 56.1% of total franchised stores had an operation history over three years. By 2021, franchisees contracted with us prior to January 1, 2019 on average had a business relationship of approximately 8.5 years with us. In contrast, with respect to franchisees contracted with us after 2019, they on average had a business relations of 1.5 years with us by December 31, 2021. We believe granting a credit term with a reasonable length is not uncommon in retail industry with a franchise or distribution business model.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, among all franchisees, 418, 418, 415 and 408 were granted a credit term up to 90 days. These franchisees operated a total of 2,391, 2,382, 2,269 and 2,244 stores, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022, and the revenue from sales of fruits and other products contributed by such franchisees amounted to approximately RMB5,534.6 million, RMB4,694.8 million, RMB4,605.7 million and RMB2,314.1 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. Trade receivables from the franchisees, which were in connection with the purchases they made from us, amounted to RMB1,362.6 million, RMB1,191.0 million, RMB1,052.9 million and RMB968.5 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022.

In general, our franchisees are able to fully repay the procurement amounts within their respective credit terms. In current practice, if a franchisee fails to repay the procurement amounts in time due to the poor performance of its stores, we will more closely monitor the store operations and actively provide advisory support to enhance the store performance. As of December 31, 2019, 2020 and 2021 and June 30, 2022, provision made against outstanding procurement amounts due from franchisees accounted for approximately 0.0%, 0.3%, 0.3% and 0.3% of total outstanding procurement amounts due from franchisees, gross, as of the same dates. During the Track Record Period and up to the Latest Practicable Date, no write-off was made in connection with outstanding amounts from our franchisees. Similar to the management procedures in connection with our financial supports, we continuously monitor the performance of each franchised store. We will accelerate the receivable collection procedures if we are aware of any material adverse change to the store performance. We may also re-assess and timely adjust the credit term granted to the franchised stores on a case-by-case basis.

With respect to the settlement with regional dealers which occurs after the settlement with the franchised stores supervised by them, we receive sales proceeds of the franchised stores supervised by regional dealers and remit such remaining amount, if any, together with the reserved working capital (i.e. the factoring amounts approved by us), if applicable, to the bank accounts designated by the regional dealers after deducting reserved working capital requested by the regional dealers which is approved by us (if applicable), the outstanding purchase amounts of fruits and other products, royalty and other fees due to us by the regional dealers.

Leveraging our integrated POS system, we are able to understand the performance of each franchised store and each regional dealer, thus, allowing us to control the risk against the collectability of the trade receivables.

CUSTOMERS AND CONSUMERS

Customers

While we consider almost everyone as our end consumers, accounting-wise our customers are primarily our franchisees and regional dealers who purchase from us as well as individual consumers who directly place orders with us. In addition, we engage in direct sales to certain major customers, such as enterprises, restaurants and high-speed railway companies that have catering needs. On a limited scale, we also engage in fruit wholesale business. Our wholesale customers are mainly large supermarkets and fruit distributors, among which, there are a small number of overseas customers. Franchisees and regional dealers are not agents of us.

During the Track Record Period, our top five customers were our franchisees. Due to the nature of our retailing business and the amount of our franchisees, revenue contribution from any single franchisee was immaterial. Revenue derived from our top five customers accounted for 14.2%, 11.7% and 9.8% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively. Over the same periods, revenue derived from our largest customer over the same periods accounted for 3.4%, 2.8% and 2.2% of our total revenue, respectively. In the six months ended June 30, 2022, revenue derived from our top five customers accounted for 8.6% of our total revenue, and revenue derived from our largest customer over the same period accounted for 1.9% of our total revenue, respectively. We have maintained long-term and stable relationships with our customers. As of the Latest Practicable Date, we had an average of approximately seven years of business relationship with our top five customers.

None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after [**REDACTED**], to the knowledge of our Directors, held any interests in any of our five largest customers during the Track Record Period.

The following tables set forth certain information of our five largest customers during the Track Record Period.

For the year ended December 31, 2019

Customer	Background	Sales amount	% of total sales	Length of business relationship
		(RMB'000)		
Customer A	individual franchisee with a number of franchised stores	305,187	3%	since 2011
Customer B	individual franchisee with a number of franchised stores	291,555	3%	since 2014
Customer C	individual franchisee with a number of franchised stores	229,385	3%	since 2009
Customer D	individual franchisee with a number of franchised stores	228,442	3%	since 2009
Customer E	individual franchisee with a number of franchised stores	220,606	2%	since 2013
		1,275,175	14%	

For the year ended December 31, 2020

Customer	Background	Sales amount	% of total sales	Length of business relationship
		(RMB'000)		
Customer A	individual franchisee with a number of franchised stores	250,586	3%	since 2011
Customer B	individual franchisee with a number of franchised stores	216,291	2%	since 2014
Customer E	individual franchisee with a number of franchised stores	196,101	2%	since 2013
Customer C	individual franchisee with a number of franchised stores	188,519	2%	since 2009
Customer D	individual franchisee with a number of franchised stores	183,722	2%	since 2009
		1,035,219	12%	

For the year ended December 31, 2021

Customer	Background	Sales amount	% of total sales	Length of business relationship
		(RMB'000)		
Customer A	individual franchisee with a number of franchised stores	250,586	3%	since 2011
Customer B	individual franchisee with a number of franchised stores	216,291	2%	since 2014
Customer E	individual franchisee with a number of franchised stores	196,101	2%	since 2013
Customer C	individual franchisee with a number of franchised stores	188,519	2%	since 2009
Customer D	individual franchisee with a number of franchised stores	183,722	2%	since 2009
		1,035,219	12%	

For the six months ended June 30, 2022

Customer	Background	Sales amount	% of total sales	Length of business relationship
		(RMB'000)		
Customer B	individual franchisee with a number of franchised stores	111,227	2%	since 2014
Customer E	individual franchisee with a number of franchised stores	107,343	2%	since 2013
Customer A	individual franchisee with a number of franchised stores	107,085	2%	since 2011
Customer C	individual franchisee with a number of franchised stores	92,051	2%	since 2009
Customer D	individual franchisee with a number of franchised stores	88,686	1%	since 2009
		506,393	9%	

Consumer Services

We provide consumer services and proactively interact with our consumers mainly through our mobile APPs and various social media platforms, such as Weibo and WeChat. We operate a consumer service hotline to respond to consumer inquiries and complaints and to collect their feedback. We typically require our consumer service staff to respond and report internally to the relevant departments within 24 hours. Our consumer service staff also proactively conduct on-site visits and telephone surveys on selected members to better understand our consumers' feedback.

As of the Latest Practicable Date, we had not experienced any material consumer complaints with respect to our product quality, nor had we encountered any refund claims that would cause a material impact on our operation or financial performance.

Instant Refund Service

Out of the strong confidence in the quality of our products and the trust in good faith of our consumers, we have launched the instant product return and refund service policy. Currently, fruits and most of other fresh groceries are eligible for our instant refund service. If a consumer believes the products do not meet his/her expectations, he/she may claim a refund up to 100% of the selling prices without presenting the product and invoice or providing a good reason. The refund may be completed instantly through our mobile APPs by providing the relevant purchase order number. Instant refund service not only enhances consumer satisfaction, but also provides us with first-hand information for big-data analysis, which allows us to understand the product quality and consumer preference in a timely manner, sets a direction for us to adjust our procurement strategy and further offers valuable market intelligence that we may share with our supply chain business partners. To encourage our franchisees to implement our instant refund service policy, and subject to how the purchase order is fulfilled, we currently agree to share up to 60% of the refund amount that exceeds the procurement cost incurred by the relevant franchisee, the equivalent of which will be deducted from the procurement amount in the settlement next month. If the franchisee believes that the consumer was not acting in good faith, the franchisee should still proceed with the refund and then initiate an internal complaint procedure with us to claim compensation. During the Track Record Period, the expenses we incurred in connection with our instant refund service were immaterial and accounted for approximately 0.07%, 0.18%, 0.15% and 0.20% of our total revenue for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

Membership Programs

To enhance our consumer loyalty, we have established the membership programs. As of the Latest Practicable Date, the number of our members accumulated through various distribution channels had reached over 72 million. The average number of MAU in 2021 had exceeded 7 million.

Our Pagoda membership program has established a four-level membership plans and the members may upgrade their membership levels by accumulating purchases, which in turn, will unlock various privileges, such as additional discount rates, shopping assistant with priority, exclusive promotional coupons and gift redemptions. In addition to the four-level membership plans, in early 2018, we initiated the Xinxiang ("心享") paid membership plan. Existing members, despite their original membership level, may subscribe to the paid membership for a 12-month period at a membership fee of RMB99 for a basic package or RMB199 for an upgraded package, respectively, and enjoy certain additional privileges, such as monthly vouchers, exclusive rewards and discounts, and free product tasting opportunities. We commit that the paying members will save an amount no less than the membership fee they paid during their 12-month membership period. Otherwise, we will refund and make up for the shortfall. Since the launch of the paid membership plan, we had accumulated over 910 thousand paying members as of the Latest Practicable Date. We expect to continue to introduce additional exclusive membership benefits to attract more paying members. According to our records, the higher level members generally present a higher purchase frequency and higher average order value. In 2021, the monthly purchase frequency and monthly purchase amounts of our paying members were approximately 140% and 160%, respectively, higher than those of non-paying members.

We have established a consolidated membership database for all online and offline consumers. We consider the protection of the data privacy of our consumers to be of paramount importance and we have in place the policies, procedures, software and technology infrastructure to properly collect, use, store, retain and transmit our user data in compliance with applicable data protection laws and regulations. Please refer to "— Data Privacy and Protection" for further details.

We currently are dedicated to implementing our OMO strategy, aiming at diverting offline traffic to online shopping with us, and *vice versa*, attracting more online shoppers to step into the offline retail stores to drive additional purchases.

SUPPLIERS

Unlike other food products, 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. We have reserved ourselves strong resources from the supply chain end through our robust supply chain strategy in the past years, and have established multi-tier supply channels, ensuring sufficient quantity and consistent quality in supply. Currently, the substantially majority of our products are purchased from third parties, with small amount of fruits from the plantation bases operated by us.

We selectively form in-depth collaborations with local suppliers and empower them with technologies offered by us or our associates and joint ventures. We provide a variety of support in connection with technologies and equipment for seed selection and breeding, planting, plant protection and post-harvest processing. Our technical empowerments primarily aim to enhance the quality and production yield of the suppliers, and to preserve the fruit quality when delivered to the consumers. We identify the suppliers with the best quality through such collaborations and purchase fruits from them. Such in-depth collaborations facilitate the launch of our products that are of the best quality standards and significantly differentiate from other products in the market and help us develop distinguished product brands.

We also purchase from places of origin. Our procurement teams work closely with local agents to conduct market researches to develop and select local suppliers and arrange for purchases subject to our detailed procurement requirements.

In addition, due to the seasonality and uncertainties inherent in the cultivation and sales of fruits, we may from time to time need to purchase from public market to replenish our stock under certain circumstances. During the Track Record Period, in terms of dollar amount, purchases of fruit products from the public market for stock replenishment purposes accounted for approximately 29%, 22% and 19% of total purchases of fruit products in the years ended December 31, 2019, 2020 and 2021, respectively. Purchase price of a certain product from the public market may be slightly higher than the price we purchase from the suppliers we have established business relationship with. However, given the continuously decreasing portion of it in our total purchases, we believe the impacts of purchasing from the public market on our business and financial performance are insignificant, especially on our costs and gross profit. Moreover, due to the nature of fresh fruit market which is typically subject to uncertainty and volatility, we are required to always maintain certain flexibility and capacity in procurement in anticipation of unforeseen events affecting demand and supply. We will continue the practice of purchasing from the public market to replenish our stock.

We maintain cooperative relationships with over 1,300 third-party fruit suppliers. Our suppliers are primarily fruit plantation bases, including those bases with fruit packing houses that could carry out preliminary processing work. In addition, a significant portion of the fruits we purchase originate from overseas, such as Australia, New Zealand and Chile. This includes fruits we procure directly and import from overseas suppliers, procure from the major agents or distributors in China of such overseas suppliers, or procure from customs brokers who assist us to import from our designated overseas suppliers. Given the fact that the quality of vegetables also highly depends on the quality of original cultivation, we adopt a similar procurement strategy as fruits and typically source from places of origin. To ensure the consistently high quality of the vegetables to be delivered to us, we or the technical consultants we designated will set up cultivation standards for the suppliers to follow. During the Track Record Period, in terms of dollar amount, approximately 0.1% of fruit products was sourced from our plantation bases each year. In terms of dollar amount, fruits sourced from China accounted for approximately 53.2%, 54.9% and 59.5% of total purchases of fruit products in 2019, 2020 and 2021, respectively, with the remaining approximately 46.7%, 45.0% and 40.4% purchases being imported fruits. With respect to other fresh groceries, we conduct comprehensive market researches and generally purchase from high-quality suppliers directly and may engage the suppliers to complete the necessary initial preliminary processing for us.

We evaluate and select our fruit suppliers based on a number of factors, including their reputation, cultivation techniques, experience in cultivation and post-harvest processing, consistent quality of the fruits, stable year-round supply volumes, food safety controls and guarantees, as well as price stability. In light of suppliers of other fresh groceries, we primarily consider the qualification and certification they have obtained, consistent quality, food safety control and their willingness to partner with us.

We generally approach and identify suppliers through our market researches or word-of-mouth referrals. We have also implemented an intelligent supplier management system, an online procurement transaction platform through which any interested party may submit an online application to become our supplier. After passing our sample inspection, such party will be admitted to our supplier database. In addition, our procurements are transacted through our intelligent supplier management system which supports information exchange between us and our suppliers. Our integrated information technology systems also enable us to timely adjust procurement amounts based on the ongoing actual sales and inventory level.

We typically enter into purchase agreements or purchase orders with our suppliers. Purchase agreements generally have a term of one year, subject to automatic renewal upon mutual agreement. During the Track Record Period, certain suppliers were our related parties. The procurement agreements we entered into with related parties were on normal commercial terms substantially identical to those with other independent third-party suppliers. All transactions, including those with related suppliers, shall be conducted through our intelligent supplier management system. During the Track Record Period, the renewal rate of the purchase agreements with our suppliers, calculated as the number of suppliers who renewed their contracts with us in the following year divided by the total number of suppliers in the previous year, was 67%, 69% and 68%, respectively, in 2019, 2020 and 2021. Prior to the procurement, we generally require the suppliers to provide us with product sample for us to determine its quality standards. We place orders subject to the terms of the purchase agreements or purchase orders, which specify the fruit type, quantity, price, quality standards for acceptance, packaging style and standards, designated delivery location and so on. We negotiate and confirm the purchase prices with each supplier through our intelligent supplier management system. In any given period and with respect to same products, the unit price we agreed with related suppliers and third-party suppliers are generally identical. For example, during the Track Record Period, the unit price range of Red Ballerina strawberries, one of our popular fruit products, was between approximately RMB45.5 per kg to RMB58.9 per kg purchased from related suppliers, while the unit price range of the strawberries of similar quality purchased from third-party suppliers was between approximately RMB49.7 per kg to RMB58.5 per kg. Our suppliers are further required to present us with the results of pesticide residual tests or other requisite testing reports in compliance with the applicable laws and regulations. Our suppliers are responsible for the product quality. In the event that the proportion of defective fruits exceeds the rate as pre-agreed under the purchase agreements as a result of the supplier's inappropriate warehousing or logistics arrangements, or that the fruits are damaged in our warehouses or in stores as a result of the suppliers' inappropriate post-harvest processing procedures, the relevant suppliers shall be liable for our losses. The suppliers shall also be responsible for any consumer claims or administrative penalties imposed by relevant government authorities due to their product quality defects. In addition, if any supplier delays the product delivery, we are entitled to reject such products and the supplier shall be liable for the breach of contract and the relevant losses. We generally settle the payments with our suppliers, including those related suppliers, on a monthly basis. Moreover, we conduct on-site quality inspections on our suppliers of fruits and other fresh groceries on a regular basis. We are typically not subject to minimum purchase amounts or commitments pursuant to the purchase agreements with our major suppliers.

During the Track Record Period, all of our major suppliers are fruit suppliers. Aggregate purchases from our top five suppliers in terms of dollar amount in aggregate accounted for approximately 21.4%, 20.4% and 20.6%, respectively, of our total purchase cost for the years ended December 31, 2019, 2020 and 2021. Purchase from our largest supplier in terms of dollar amount accounted for approximately 7.4%, 7.7% and 8.1%, respectively, of our total purchase cost in such periods. In the six months ended June 30, 2022, aggregate purchases from top five suppliers in terms of dollar amount in aggregate accounted for approximately 22.8% of our total purchase cost for the six months ended June 30, 2022, and purchase from our largest supplier in terms of dollar amount accounted for approximately 9.1% of our total purchase cost in the same period, respectively. As of the Latest Practicable Date, we had an average of approximately two years of business relationship with our top five suppliers. None of our Directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after [**REDACTED**], to the knowledge of our Directors, held any interests in any of our five largest suppliers during the Track Record Period. During the Track Record Period, none of major suppliers were at the same time our major customers.

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 interrupts our business operations.

Preliminary Processing

Unlike other industrial goods, fruit suppliers sometimes need to conduct certain preliminary processing procedures, such as cleaning, sorting and separating, after fruits are harvested. Some suppliers from whom we directly purchase may also prepare preliminary packaging subject to our request. Certain fruits require ripening before they can be sold, which process is typically completed in our own ripening rooms, see "— Logistic and Warehousing Intelligence — Warehousing Intelligence — Preliminary Processing" below.

Procurement Arrangements and Policies

All of our suppliers are required to comply with the relevant laws and regulations as well as the quality standards provided by us under the purchase agreements. We typically retain multiple suppliers for each of our product.

With respect to fresh fruits, we produce our annual master procurement schedules at each year end based on our sales forecast, store network expansion plans, as well as our market researches on fluctuations in fruit demand and supply and prices in the upcoming year. A detailed purchase plan for each type of fruits will be further developed before the seasonal purchase commenced. The master procurement schedules are subject to periodical adjustment pursuant to our updated market researches and estimates, actual sales we achieve, and other unpredictable events that may affect our sales. Our heads of regional procurement department shall collect and submit the estimated procurement demands from each region to our headquarters on a monthly basis.

With respect to other fresh groceries we also produce annual master procurement schedules at each year end based on our sales forecast and business development plans. For items that are delivered daily, such as vegetables and fresh meats, we produce detailed procurement schedules on a weekly basis based on online orders we have received and the anticipated demands we determine based on our accumulated experience. With respect to other fresh groceries that are not subject to daily delivery, we assess the procurement schedules based on a number of factors, including the minimum purchase amounts, lead time required from production to delivery, inventory balance, as well as the anticipated demands we determine based on our accumulated experience.

Financial Support Provided to Suppliers

To further maintain our ecosystem and to retain a stable and sound business relationship with our suppliers who are generally in a capital need during a long cultivation process before they harvest and sell the fruits, we facilitate our suppliers to seek financial support under factoring arrangements with Shenzhen Yitong, our wholly-owned subsidiary and a qualified factoring company in China. Such factoring arrangements enable our suppliers to release liquidity through transferring trade receivables for exchange of an immediate finance need. Pursuant to the factoring arrangements entered into between the suppliers and Shenzhen Yitong, we grant a maximum financing amount to the suppliers based on their credit status. The suppliers can apply for factoring amount from us and such factoring amount is limited to the lower of our procurement outstanding balance to the suppliers or the maximum financing amount pre-granted. We shall approve the factoring amount applications on a case-by-case basis, by reviewing factors including maximum financing amount granted, their credibility and the background check result. We review and assess the risk exposure of the factoring arrangements only based on the transactions between the suppliers and us. After approval to the factoring amount application, we would remit the approved factoring amount to designated bank accounts of the suppliers. Interests arising from the factoring amounts are borne by the suppliers. Principal amounts and interests on the factoring amounts under our financial support arrangements, if applicable, may be settled and repaid separately by the suppliers after our settlement of the procurement outstanding balance (i.e. account payables due to the suppliers). Under the factoring arrangements with our suppliers, we would be the only creditor entitled to the outstanding account payables due to the relevant suppliers. During the Track Record Period, our factoring arrangements bore an interest rate from 6.0% to 18.0% per annum, which generally had a term ranging from 1 to 13 months with respect to the factoring arrangements during the Track Record Period. We typically require the controlling shareholders or legal representatives of the suppliers to provide personal guarantee.

To effectively control our risk exposure, our current factoring financing is extended to suppliers only with respect to the trade receivables arising from the purchases from us. In addition, as an established fruit retailer with a strong industry value chain, we are well positioned to envision the market environment, which constantly facilitates us to assess the risk exposure of the suppliers receiving our financial support and modify relevant practice in a timely manner. By virtue of our reputation, healthy financial performance and credit history, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material default from suppliers under the factoring arrangements. Please also refer to "— Compliance of Financial Support Arrangements" for more details. Moreover, according to Frost & Sullivan, provision of financial support, including in the format of factoring arrangements, by a retailer to its suppliers is not uncommon in the retail industry in China.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, the aggregate outstanding amounts under these arrangements were RMB153.3 million, RMB102.4 million, RMB29.2 million and RMB18.1 million, respectively, involving 15, 11, 2 and 1 suppliers, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, these factoring amounts accounted for approximately 38.6%, 30.1%, 46.5% and 80.1% of our total procurements from the relevant suppliers during the relevant periods. The aggregate procurements from such suppliers, in terms of dollar amount, were approximately RMB375.5 million, RMB340.9 million, RMB60.9 million and RMB20.7 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. Among these suppliers who entered into factoring arrangements with us during the Track Record Period, two, namely Shandong Liangzhi and Shandong Huiguo, were our connected parties. Total outstanding amounts due from these two suppliers were RMB55.0 million, RMB39.0 million, nil and nil, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. The terms and conditions provided to these suppliers are generally identical to those provided to other independent third-party suppliers. For example, the only supplier with outstanding factoring amount as of June 30, 2022 was a supplier of mellows to us. During the Track Record Period, the unit price range of mellows we purchased from this supplier was between approximately RMB8.8 per kg to RMB11.6 per kg, while the unit price range of mellows of same quality purchased from other suppliers not engaged in factoring agreements was between approximately RMB8.5 per kg to RMB11.8 per kg. The payment terms granted to this supplier, such as monthly settlement, were also identical to the terms granted to other suppliers.

Owned Plantation Bases

We currently operate two plantation bases in Yunnan Province and Jiangxi Province, respectively. Harvested fruits that meet our quality standards will be provided to us and the rest will be sold to third parties in the market.

The plantation base in Yunnan Province has a total area under cultivation of approximately 310,274 sq.m. for fruit trees, which produce various types of grapes with an annual yield of approximately 765 tons and green dates with an annual yield of approximately 396 tons. The plantation base in Jiangxi Province currently has a total area under cultivation of approximately 3,485,011 sq.m., mainly for various types of oranges, with a total yield of approximately 728 tons. In addition, we have also built a national class virus-free citrus propagation nursery foundation mainly for our self-use.

COMPLIANCE OF FINANCIAL SUPPORT ARRANGEMENTS

During the Track Record Period, we adopted a franchise business model and provided financial supports to our franchisees, regional dealers and suppliers. Our various financial support arrangements mainly include (i) prior to 2019, interest-free loans to franchised stores, (ii) since 2019, interest-bearing loans to franchised stores, (iii) factoring arrangements with regional dealers, and (iv) factoring arrangements with suppliers. In addition, during the Track Record Period, we also provided interest-bearing loans to support certain associates and selected third parties that were in temporary capital needs. These third parties were fruit retail industry participants, mainly fruit suppliers, which we considered strategically cooperating with. As of the Latest Practicable Date, except for the financial supports to our franchisees, regional dealers and suppliers, we had ceased to provide loans to associates and third parties.

As advised by our PRC Legal Advisor, the financial support arrangements extended to our franchised stores, suppliers, certain associates and selected third parties, is in compliance with the relevant laws and regulations in all material aspects. According to Frost & Sullivan, our franchise business model, with the feature of provision of financial support to various parties and relevant accounting treatments, is not uncommon in the industries that adopting the franchise business model.

- **Loans to franchised stores that are individual self-employed merchants (個體工商戶)**

As of December 31, 2019, 2020 and 2021 and June 30, 2022, there were 593, 589, 746 and 961, respectively, franchised stores receiving loans from us that are individual self-employed merchants.

As advised by our PRC Legal Advisor, (i) in accordance with the Civil Code of the PRC, a contract for loan of money is a contract whereby the borrower borrows a sum of money from the lender, and repays the borrowed money with interest thereon when it becomes due. A contract established according to law is protected by law; and (ii) in accordance with the Provisions on the Supreme People's Court on Application of Laws to the Hearing of Private

Lending Cases (《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》(2015年8月6日發布並於2020年12月29日第二次修正)) ("the Private Lending Judicial Interpretations 2020") issued by the Supreme People's Court of the PRC on August 6, 2015 and amended on December 29, 2020, private lending refers to the acts of financing among natural persons, legal persons and unincorporated organizations. The validity of the loan contract for private lending shall be judged by the PRC Courts. In addition, the People's Court shall support the claim that the loan contract for private lending is valid except for the circumstances stipulated in Article 146, Article 153, Article 154 of the Civil Code and Article 13 of the Private Lending Provisions.

Based on the above and the confirmations by the Directors of our Company regarding our loan arrangements, (i) the loan arrangements with individual self-employed merchants do not fall under the circumstances regulated under the circumstances stipulated in Article 146, Article 153, Article 154 of Civil Code which may cause the loan contracts for private lending null and void, (ii) the loan arrangements with individual self-employed merchants do not fall under the circumstances regulated under the circumstances stipulated in Article 13 of the Private Lending Provision to cause the court determine the invalidity of a private lending contract, and (iii) the financial support arrangements between us and our franchised stores that are individual self-employed merchants in the course of business is not regulated by General Provisions, our PRC Legal Advisor concurs with the view of our Directors that (i) the People's Court shall support the claim that the loan contract for private lending is valid except for the relevant circumstances; (ii) the loan arrangements with individual self-employed merchants fall outside the purview of the aforesaid circumstances stipulated in the articles of the Civil Code, the Private Lending Provisions and the General Provision.

Save for the above, there is no other specific rule or regulation prohibiting, or restricting or otherwise regulating the financing activities between us and our franchised stores that are individual self-employed merchants in the course of business. As such, provided that the loan arrangements between us and our franchised stores that are individual self-employed merchants are validly formed, the relevant financing activities are in compliance with the relevant laws and regulations in all material aspects. In addition, during the Track Record Period, we were not subject to any administrative penalty with respect to the financing activities between us and our franchised stores that are individual self-employed merchants.

- **Loans to franchised stores that are private companies**

As of December 31, 2019, 2020 and 2021 and June 30, 2022, there were 2, 4, 8 and 10, respectively, franchised stores receiving loans from us that are private companies.

As advised by our PRC Legal Advisor, (i) in accordance with the General Lending Provisions promulgated by the PBOC on June 28, 1996 which became into effect on August 1, 1996, enterprises shall not, among themselves, engage in lending services or disguised lending services in violation of relevant laws and regulations. Enterprises, which engaged in lending services or disguised lending services without authorization or approval, are subject to a fine imposed by the PBOC from one to five times the amount of its income (being the interests charged) derived from such unauthorized lending services; the PBOC and its local branches are the competent regulatory authorities in connection with the execution of the General Lending Provisions; (ii) in accordance with the Private Lending Judicial Interpretations 2020, a loan contract among legal persons, among non-legal persons, or among legal persons and non-legal persons are valid if it is extended for the purpose of financing production or business operations, except for the circumstances stipulated in Article 146, Article 153, Article 154 of the Civil Code and Article 13 of the General Lending Provisions; the People's Court shall support the claim that the loan contract for private lending is valid; and (iii) in accordance with the Civil Code adopted at the Third Session of the Thirteenth National People's Congress on May 28, 2020 which became into effect on January 1, 2021, a loan contract is a contract under which a borrower borrows a loan from a lender and repays the loan with interests when the loan becomes due; a contract established according to law is protected by law.

Regarding the financial support arrangements between us and our franchisees' stores that are private companies, considering that the PBOC is the regulatory authority under the General Lending Provisions, and based on the above and given that the General Lending Provisions were issued prior to the release of the Private Lending Judicial Interpretations 2020 which have acknowledged the validity of loan contracts of private lending among enterprises for the purpose of financing production and business operations, our PRC Legal Advisor conducted an interview with a competent officer of the Monetary Credit Division from the Shenzhen Central Branch of the PBOC on June 16, 2022. We were confirmed that, although the General Lending Provisions have not been abolished, part of the provisions therein are not fully applicable to current situations due to their earlier promulgation since the General Lending Provisions were promulgated in 1996. In practice, the People's Bank of China will not impose penalties on or require rectification of providing any loans by one enterprise to another enterprise for the latter's production or operation needs in accordance with the General Lending Provisions, as long as the rates of such loans do not exceed the maximum loan rate under the Private Lending Judicial Interpretations 2020. The legal effectiveness of any lending between enterprises shall be subject to the opinions of the court, which shall determine whether such lending is in compliance with applicable laws and regulations. Therefore, we are able to provide and, upon the completion of this [**REDACTED**], continue to provide, loans to our franchisees and business partners as long as the rates of such loans do not exceed the maximum loan rate under the Private Lending Judicial Interpretations 2020.

As further advised by our PRC Legal Advisor, there is no other specific rule or regulation prohibiting, or restricting or otherwise regulating the financing activities between us and our franchised stores that are private companies in the course of business. As such, provided that the loan arrangements between us and our franchised stores that are private companies are validly formed, the relevant financial support is in compliance with applicable laws and regulations in all material aspects, and the risk of us being penalized based on the General Lending Provisions is remote.

We had received confirmations of compliance from the Shenzhen Central Branch of the PBOC on May 9, 2020, February 1, 2021 and January 17, 2022, confirming that during the Track Record Period, there was no record of administrative penalty imposed on us by the PBOC due to any violation of relevant rules, laws and regulations.

To conclude, our PRC Legal Advisor is of the opinion that, our financial support arrangements with the franchisees do not constitute any material violation of the applicable laws and regulations in all material aspects. The loan agreements with our franchised stores are valid and legally binding.

Factoring arrangements with regional dealers and suppliers

During the Track Record Period, we, through Shenzhen Yitong, entered into factoring arrangements with 10, 12, 13 and 13 regional dealers in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, there were 10, 12, 13 and 13 regional dealers, respectively, that had outstanding factoring amounts. In addition, we entered into factoring arrangements with 34, 25, 8 and 1 suppliers in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, there were 15, 11, 2 and 1 suppliers, respectively, that had outstanding factoring amounts. Other than our regional dealers and suppliers, we did not enter into any factoring arrangement with other third parties. Outstanding factoring amounts were accounted for as other receivables, and interests on outstanding factoring amounts were accounted for as income arising from loans under other income. For more details, please see "Financial Information — Current Assets/Liabilities, Net — Deposits, prepayments and other receivables." In practice, the terms and conditions of our factoring arrangements with the regional dealers and suppliers were negotiated separately from our sales and procurement terms, respectively.

Based on our understanding, our regional dealers generally experienced difficulties in obtaining loans or other types of financing from commercial banks and other qualified financial institutions at reasonable costs. For instance, at the initial development stage, the regional dealers invested significantly in the establishment and management of the distribution centers. It was difficult for the regional dealers to obtain interest-bearing loans from commercial banks and financial institutions due to their limited operational scale and before they became profitable. In addition, accounts receivables due from a large number of individual franchisees prevented the regional dealers from applying for factoring from commercial banks which were, typically inclined to approve single transaction with significant amount only, based on our understanding. Due to the similar reasons, it was also not easy for our suppliers to obtain loans or other types of financing from commercial banks and other qualified financial institutions at reasonable costs.

Considering the aforesaid, and in the anticipation of improving our ecosystem by empowering various industry participants across our value chain, in December 2018, we acquired the 100% equity interest in Shenzhen Yitong, which then was qualified as a factoring company in China, from an independent third party to dedicatedly provide factoring to our regional dealers and suppliers.

Sustainable and stable operation of our regional dealers and suppliers are vital to our business and entire ecosystem. We expect to support the growth of our regional dealers and suppliers, especially at their initial development stage, when capital needs are critical and other types of financing may be difficult and expensive. With respect to regional dealers, factoring allows them to allocate more capital for the establishment of distribution centers at the initial stage. It fulfils the capital needs for procurements from third-party suppliers other than us to a certain extent. In addition, the regional dealers require additional liquidity flexibility in their daily operation, which may not always be readily available since the sales proceeds of stores supervised by them are subject to monthly settlement by us. These liquidity flexibilities may include investments from time to time in franchisee recruitment, store management and training, rental and other prepayment, equipment installation and upgrades, and employee benefits. With respect to suppliers, factoring provides more flexible liquidity to pay their operations and upstream purchases. On the other hand, comparing with them seeking financing from other third parties, we believe we are well positioned to manage the risk exposure of the regional dealers and suppliers by leveraging our integrated ERP system to constantly monitor their business and financial performance, which include (i) with respect to the regional dealers, their total procurements of products, as well as procurements and sales of the store supervised by them, and (ii) with respect to suppliers, the quality, quantity and the quote price they submit to our intelligent supplier management system, and our estimated procurement from them. Lastly, our in-depth experience in the fruit retail industry enables us to envision challenges and opportunities the regional dealers and suppliers may encounter, which in turn, allows us to adjust the factoring arrangements accordingly, such as whether and when to approve additional factoring and collect payments.

As advised by its PRC Legal Advisor, (i) in accordance with the Civil Code, a factoring contract is a contract under which a creditor of accounts receivable transfers the existing or after-acquired accounts receivable to a factor who provides services such as accommodation of funds, management or collection of the accounts receivable, guarantee for the payment of a debtor of the accounts receivable, and the like; in accordance with the Notice on Strengthening the Supervision and Administration of Commercial Factoring Enterprises by the General Office of the China Banking and Insurance Regulatory Commission (《中國銀保監會辦公廳關於加強商業保理企業監督管理的通知》), commercial factoring enterprises shall provide services in accordance with applicable provisions of the Civil Code and other relevant laws and regulations; and (ii) we have received confirmations of compliance from the Shenzhen Municipal Local Financial Regulatory Bureau addressed to Shenzhen Yitong, the wholly-owned subsidiary of us and a qualified factoring company in China, on March 12, 2020, January 20, 2021 and January 26, 2022, confirming that during the Track Record Period, and Shenzhen Yitong was not subject to any administrative penalty.

In addition, we and our PRC Legal Advisor participated in an interview with the Shenzhen Municipal Local Financial Regulatory Bureau on June 15, 2022. During the interview, it was confirmed that, among others, (a) Shenzhen Yitong has obtained all requisite qualification to conduct the factoring business without further qualifications; (b) subject to compliance with appropriate indicators governed by the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises, the carrying out by us of our commercial factoring business is in compliance with applicable laws and regulation; (c) Shenzhen Yitong has not been subject to any administrative penalty; and (d) assuming there is no change to current laws and regulations, Shenzhen Yitong is allowed to carry out and, upon the completion of this [**REDACTED**], continue to carry out its current factoring business operations.

According to the applicable laws and regulations, a company engaging in factoring business shall comply with certain indicators during its business operations, including (i) the aggregate amount of accounts receivables transferred from one single party shall not exceed 50% of the factoring company's total risk assets, (ii) the aggregate amount of accounts receivables transferred from one single party and its associates shall not exceed 40% of the factoring company's total risk assets, (iii) uncollected or unrecognized factoring amounts past due 90 days shall be included and managed as non-performing assets, (iv) risk reserves shall be no less than 1% of total factoring amounts at the relevant period end, and (v) aggregate risk assets shall not exceed 10 times total net assets. We have built these indicators into our ERP financial management module which monitors relevant financial performance on an ongoing basis and we have assigned designated finance personnel to review the indicators on a monthly basis to ensure they are in compliance with the regulatory requirements. In addition, our system also automatically projects indicators for the upcoming three months, which facilitates us to identify potential risks and adjust factoring arrangements timely. We have received confirmations of compliance addressed to Shenzhen Yitong (the wholly-owned subsidiary of us and a qualified factoring company in China) from the Shenzhen Municipal Local Financial Regulatory Bureau on March 12, 2020, January 20, 2021 and January 26 and August 25, 2022, confirming that during the Track Record Period, Shenzhen Yitong had not been subject to any administrative penalty. Based on the confirmation of Company and the interview participated on September 7, 2022 by the PRC Legal Advisor with Shenzhen Municipal Local Financial Regulatory Bureau, as of the Latest Practicable Date, the Group's factoring business carried out by Shenzhen Yitong is in compliance with the appropriate indicators governed by the Notice of the General Office of the China Banking and Insurance Regulatory Commission on Strengthening the Supervision and Administration of Commercial Factoring Enterprises.

Our PRC Legal Advisor is of the opinion that, as of the Latest Practicable Date, the provision of factoring services by Shenzhen Yitong is in compliance with the applicable laws and regulations in all material aspects.

Financial Support to Associates and Third Parties

During the Track Record Period, we also provided interest-bearing loans to support certain associates and selected third parties that were in temporary capital needs. These third parties were fruit retail industry participants, mainly fruit suppliers, which we considered strategically cooperating with. These associates and third parties were private companies. Similar as the loans extended to franchised stores that are private companies detailed above, the risk of us being penalized is remote, and the loans extended to our associates and other third parties are in compliance with the applicable laws and regulations in all material aspects. The loan agreements with our associates and other third parties are valid and legally binding.

Confirmations from Authority

In addition to the confirmations we have obtained as described above, considering that we adopt a franchise business model, which is mainly subject to the supervision of the Department of Commerce of Guangdong Province. We and our PRC Legal Advisor participated in an interview with Department of Commerce of Guangdong Province on June 13, 2022. During the interview, it was confirmed that, among others, we are allowed to provide financial support for the business operation of our business partners. If, upon the completion of this [**REDACTED**], we continue to carry out the same business in current form, we are able to continue our franchise business model with financial support in accordance with the business scopes currently filed and the terms of related contracts.

As such, our PRC Legal Advisor further concluded that the financial support arrangements provided by us to our franchisees, regional dealers, suppliers, certain associates and selected third parties do not constitute a systemic non-compliance of the relevant laws and regulations. Assuming there is no material change to current laws and regulations and the practice in policy execution and inspection of local governments in connection with this matter, we are able to continue our business model and the financial support arrangements after the [**REDACTED**].

LOGISTIC AND WAREHOUSING INTELLIGENCE

Our well-established logistic and warehousing network enables efficient inventory control, shipment coordination and store replenishment.

Logistics

We currently engage external logistic companies to fulfill our delivery needs. All the vehicles are required to follow our technical protocols with respect to temperature, humidity, hygiene and physical conditions for fruits in transit. Subject to the distance and the types of fruits they deliver, some vehicles are equipped with cold chain equipment. We install temperature controllers on those cold chain vehicles to ensure that our requirements are satisfied.

Warehousing Intelligence

Our nationwide warehousing network currently has 29 warehouses across China which also function as local preliminary processing and distribution centers. These preliminary processing and distribution centers are located in 29 cities with an aggregate floor area of approximately 194,733 sq.m., each of which can support the retail stores within a service radius up to approximately 300 km. Among these 29 preliminary processing and distribution centers, 16 are operated by us, including 2 leased from third-party warehousing service providers, aggregately accounting for approximately 85% of total floor area. The property leases for the remaining 13 preliminary processing and distribution centers were entered into by the relevant regional dealers themselves and they shall operate the preliminary processing and distribution centers strictly in accordance with our quality requirements.

Depending on its warehousing space, we rate and classify our preliminary processing and distribution centers into three levels, namely Level A, B and C. In particular, we have three Level A large regional distribution centers located in Shanghai, Dongguan and Foshan, with an aggregate floor area of approximately 106,476 sq.m. and an aggregate daily delivery capacity over 2,300 tons. The remaining preliminary processing and distribution centers generally have a daily delivery capacity ranging from 15 tons to 300 tons, being able to serve 30 to 300 stores, respectively. They mainly fulfill the daily intercity transportation of fruits among local distribution centers. In terms of floor area, approximately 34% of our preliminary processing and distribution centers are cold chain enabled with a maximum cold chain coverage of single distribution center of up to approximately 97%.

In considering a potential location for our additional distribution centers, we take into account the location in a particular city, convenience in transportation, the number of stores in surrounding areas and so on.

Upon arrival of the fruits at our distribution centers, our Pagoda ERP system records the details of each batch of goods, including fruit type, quantity, origin, quality grade and so on, which will subsequently be labelled with bar codes and dispatched to storage rooms with suitable temperatures. Once we receive and process a purchase order from the franchisees, our system assigns a local preliminary processing and distribution center based on the store location and order quantity to fulfill the order.

We are in the process of upgrading our digitalized intelligent warehousing and logistics system, which enables us to effectively minimize common warehousing and logistics mistakes, including picking error, inaccurate quantity, or mistaken delivery. We believe the upgraded warehousing and logistics system will be a significant strategic advantage for our future growth. To this end, we are improving the warehousing automation level by installing automated racking and retrieval systems. Accordingly, we are also optimizing the physical warehousing designs, mainly the routing planning for warehouse intelligent vehicles, to support such upgrades.

Preliminary processing and distribution centers operated by our regional dealers are subject to the same strict quality control standards as those centers operated by us. To ensure the freshness and ripeness of fruit products stored in those locations meet our requirements, we have delegated a full-time quality control team to conduct on-site supervision and inspections.

In addition to the preliminary processing and distribution centers leased from landlords and operated by us, we also leased from professional third-party logistic and warehousing service providers for two of our preliminary processing and distribution centers. Such service providers provide premises and certain basic, technical supports and various warehousing services. To ensure the consistent quality of products and services, warehousing spaces provided by those third parties shall meet our warehousing technical standards for fresh fruits. We assign designated personnel to manage and supervise the daily operations of these preliminary processing and distribution centers.

Although we have experienced a remarkable growth in the operation of distributing other fresh groceries in recent years, we believe we are still at an early stage and the sales of other fresh groceries generally account for an insignificant portion of our total sales, either in terms of sales volume or revenue contribution, during the Track Record Period. As such, we currently do not have separate preliminary processing and distribution centers for other fresh groceries. Instead, we utilize the existing preliminary processing and distribution centers located in regions where we offer other fresh groceries. Most of our other fresh groceries can be stored at room temperature.

Preliminary Processing

We complete preliminary processing procedures in our regional distribution centers. Fruits we purchase are typically delivered in bulk quantities and wholesale packs. Certain preliminary processing procedures, such as cleaning and shelling, are conducted in our regional distribution centers. Fruits are then sorted based on our quality classification standards and packed by following designated specification and packing style before they are stored and dispatched.

Furthermore, most of our preliminary processing and distribution centers are equipped with ripening rooms which allow the artificial ripening process under our controlled conditions. In general, fruits become sweeter, softer and are in better color as they ripen. Climacteric fruits, such as banana and mango, are generally harvested before they reach their full maturity and can be further ripened during transit and warehousing. Non-climacteric fruits, such as orange, grape and cherry, do not ripen after harvest. Generally speaking, fruits are best harvested and consumed fairly close to ripening. However, harvesting of fruits prior to full ripening is necessary in our industry as ripe fruits are not suitable for long time warehousing and transport to distant locations. We have accumulated significant experience and knowledge on ripening process and ripening techniques during our past operations. We are able to manage the artificial ripening process for products which need ripening to attain the desired ripeness based on the corresponding time required for transit and warehousing, ensuring that the relevant products reach the optimal ripeness level when arriving at the retail stores.

Deep Processing

To further optimize our product mix and take full advantage of our supply chain capability of high-quality fruits, we have commenced to develop, produce and sell various fruit-based products, such as dried fruits, fruit juices and frozen fruits. We have established a deep processing factory in Dongguan, and is currently constructing the second deep processing factory in Shanghai, which is expected to be completed in the near future. We believe that deep processing business is able to amplify our ecological synergies and enhance the values of our fruit specialty ecosystem.

INVENTORY MANAGEMENT

Our inventory mainly comprises fresh fruits we have sourced and a number of consumables, such as packaging materials. Due to the perishable nature, we adopt a physical "first-in-first-out" policy to ensure the freshness of our fruits. We conduct stock check and reconciliation with respect to fruits and vegetables on a daily basis so as to maintain an accurate inventory count. With respect to perishable fruit products, pursuant to our inventory policies, the average inventory turnover from our preliminary processing and distribution centers to the retail store is generally around 2.5 days.

Due to the nature of our fruit products, we also establish in-store inventory policies for the retail stores. With respect to certain highly perishable fruits, fresh-cut fruit bowls and juice products, we require the retails stores to discard on a daily basis to ensure the food quality and safety. We encourage our franchisees to manage their inventory at an appropriate level so as to maintain sufficient fresh fruits on the shelf on one hand, and minimize the loss rate on the other hand.

Given that the distribution of our other fresh groceries is subject to the online pre-order model, we are able to assess the demands and make procurement and logistic arrangements subject to the orders received. With respect to other fresh groceries that are better for short storage time to keep the best quality, such as vegetables and fresh meat, we generally deliver such products to relevant stores within 24 hours from their arrival at our distribution centers. The average inventory turnover for other pre-packaged groceries generally ranges from several days up to 60 days from our distribution centers to the retail stores. Other fresh groceries at the retail stores will be subsequently picked up in store or delivered to the consumers within the next day.

We generally does not allow return of products, except for defective items beyond a pre-agreed rate (if applicable) or mis-delivered products, and there does not appear to have any obsolete stock or repurchase arrangements between the franchisees and us; (ii) it is of rare occurrence for defective or mis-delivered products; (iii) we typically agree with the regional dealers upon a certain rate for defective products for products provided by us, and would compensate the regional dealers for such portion of defective products exceeding the pre-agreed rate if such defects are not caused by the regional dealers; (iv) we have implemented store-level POS system which captures the store-level operational data and is linked to the Pagoda ERP system on a real-time basis, allowing us to track and monitor, among others, the inventories and the sales of each store; and (v) our average inventory turnover days was relatively short during the Track Record Period, (a) the turnover days for perishable fruit products are on average 2.5 days from our preliminary processing and distribution centers to the retail stores; and (b) the turnover days for pre-packaged groceries generally range from several days up to 60 days from our distribution centers to the retail stores. As such, our Directors are of the view that the products of the Group are at low risk of channel stuffing under our current franchise business model.

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality control are of paramount importance to our reputation and business. As such, we undertake stringent safety and quality control standards and measures throughout our entire industry chain, covering from supply chains, preliminary processing, logistics, warehousing to retail stores, to ensure the full safety and high quality of our products.

We consulted with SGS SA, a world's leading testing, inspection and certification company, and have applied for the ISO 22000 Certificates for Food Safety Management Systems, which cover our key operational aspects, including procurement, storage, logistics and sales. Obtaining and maintaining such certificates would imply that we have implemented safety protocols and requirements in connection with supplier management, compliance and risk analysis. In the second quarter of 2022, we received the ISO 22000 Certificates from SGS. We have also established designated food safety supervision teams by product categories to enhance the safety awareness among all personnel within our Group.

Food Safety

One major food safety risk of fresh fruits is excessive pesticide residue. To ensure the safety of the fruits we sourced, we require those suppliers to exercise stringent control over pesticide use in accordance with applicable laws and regulations as well as relevant industrial protocols. In general, the suppliers are further required to present us with the results of pesticide residual tests for each type of products from different places of origin they dispatch to us on a monthly basis. We will also perform sample tests upon the arrival and will refuse to accept the products if the test results indicate any potential food safety risks. To ensure and maintain the ongoing compliance with high safety and quality control standards, we also actively conduct risk assessment and comprehensive ability review on our suppliers, including periodical spot checks on their plantation bases. Similar requirements are also applied to the suppliers of other fresh groceries. We review the relevant qualification and certification of those suppliers before we enter into agreements with them, and conduct on-site quality inspections on them on a regular basis.

We used to conduct sample tests on fruits we received for qualitative detections and analysis. Since 2018, we have established three pesticide testing centers in Zhengzhou, Dongguan and Shanghai, respectively, which enable us to perform quantitative detections and analysis of a variety of pesticides, nutrients and food additives. Our testing centers also engage in a variety of research projects in connection with fruit quality and safety enhancement.

Moreover, we have set up a Food Safety Committee led by one of our (executive) deputy general managers. The committee members also include heads from procurement, research and development, operation, quality control, legal and other department. Major responsibilities of our Food Safety Committee include (i) developing the food safety system for our Group, (ii) designing and establishing food safety related policies and procedures, (iii) implementing food safety responsibility system and supervising the implementation of food safety related policies and procedures, (iv) establishing training and evaluation procedures for food safety personnel, including relevant management talents, and (v) leading the settlement of material food safety incidents.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalty in connection with food safety and quality issues.

Negative Publicity in Connection With Food Safety and Quality

We may become subject to public scrutiny relating to the safety and quality of our food products. From time to time, these objections, complaints and negative media coverage, regardless of their veracity, may result in negative publicity, which could result in government inquiry or harm our reputation and brand, which in turn, may adversely affect our business and prospects.

For example, during the Track Record Period, we were subject to negative publicity and lawsuits against us, mainly claiming about the poor quality of fruit products purchased from our stores. Although such incidents do not have any material impacts on our business operation and financial position as of the Latest Practicable Date, we have reviewed and enhanced our quality control measures to avoid future recurrence of similar incidents, which we believe is critical to our reputation.

We have already in place a number of food safety and quality control protocols, including store food and hygiene standards, store food processing and operating standard procedures, online order fulfilment standards, as well as store daily SOP which covers fruit freshness requirements that each store is required to review before store opening, during business hours and after store closing every day. We have recently reviewed these protocols and SOP and updated certain inspection requirements, such as the sanitation standards and procedures at fruit bar area and refrigerated cabinet area. We urge employees of all retail stores to study our food safety and quality control protocols carefully and to ensure their daily operation shall fully comply with our quality standards. In addition, we monitor the publicity on a regular basis and may produce case study materials in connection with the food safety incidents referred in the negative publicity and distribute such to all retail stores, requiring their employees to conduct a thorough self-inspection immediately.

With respect to the retail store which is subject to the complaint or negative publicity, we may further request the store to close temporarily and adopt rectification measures immediately. We will ask the relevant franchisees to organize training session for all their employees in connection with the compliance with our quality control protocols and they are only allowed to resume to work after passing our inspection.

Lastly, we also have recently enhanced the frequency and scope of inspection on stores by regional store supervisors and mystery customers, particularly focusing on in-store fruit freshness and quality.

Product Recall

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any mandatory recall imposed by relevant government authorities.

During the Track Record Period and up to the Latest Practicable Date, we initiated several voluntary recalls either after receiving consumers' complaints or during inspections by ourselves, mainly because (i) nutrition fact labels on relevant products contained term which might be suspected to be not in compliance with food safety related laws and regulations, or (ii) product quality issues identified through routine inspections. Among these voluntary recalls, two recalls in 2021, both of which were related to nutrition fact labels on packaged dried fruit products, affected over 3,400 and 4,500 retail stores nationwide, respectively. The remaining voluntary recalls during the Track Record Period only involved retail stores in certain regions. Aggregate value in connection with all products recalled during the Track Record Period and up to the Latest Practicable Date amounted to approximately RMB1.1 million. With respect to products with flawed nutrition fact labels, we returned them to relevant suppliers to replace product packaging, and repurchased products with rectified labels that meet our quality standards. With respect to products with quality issues, we returned them to the relevant suppliers or destroyed on spot. We also claimed compensation in an aggregate amount of RMB0.6 million for our losses arising from these recalls from the relevant suppliers pursuant to the purchase agreements with them. We believe the dollar amount of relevant products subject to recalls, individually or collectively, was insignificant and did not have a material and adverse impact on our business operations and financial performance. We did not receive any administrative penalty from relevant government authorities in connection with the products we recalled. We also did not receive any reports or claims that such products had caused any actual damage to our consumers.

We have updated the internal control measures to prevent future incidents. Our marketing department shall be responsible for the design, review and approval of all product packaging, including the labels, marketing language and other content to be printed. It may also seek for our in-house legal team's advice to ensure our product packaging is in the compliance with the relevant laws and regulations. In addition to purchasing from quality suppliers certified by us, we conduct sampling inspections on each batch of fruit products upon arrival. See "— Food Safety and Quality Control" above for more details.

Quality Control

We have pioneered in China in establishing the a comprehensive and systematic written flavor-oriented 4-grade fruit quality classification system for fruit products, which forms a barrier to entry by educating the consumers to understand and appreciate the premium value of high-quality products. See "— Our Products and Brands — Proprietary 4-Grade Fruit Quality Classification System" above for more details.

We have established a Fruit Standard Committee at our headquarters which is responsible for the establishment and review of our fruit quality standards. The committee consists of national fruit experts we engage and various department heads from procurement, quality control, post-harvest research and development, logistics and sales, as well as marketing departments.

We endeavor to preserve the best quality of our fruits, from farm to table. To this end, we have accumulated in-depth industry knowledge and first-hand expertise during the past years, which are transformed to a comprehensive set of standardized technical criteria and operational requirements covering all material aspects with respect to our operations.

Moreover, we are in the process of developing similar quality classification systems for other fresh groceries by drawing on the successful experience accumulated in fruit retail industry. For example, with the technical support of Younongdao, we have developed various standardized dimensions and parameters to determine the level of delicacy of vegetables, and we intend to build the "Three Zeros with Fresh Flavor" quality standards for five major types of vegetables. Such quality standards provide detailed criteria in each process of harvest, storage and logistics, and inspection upon arrival.

Procurement Standards

We review and adjust our procurement standards for each type of fruits on a yearly basis based on the changing climate and marketing conditions in the upcoming year. With respect to each fruit type, our procurement standards not only cover those in relation to inherent quality such as flavor, freshness, size and color, but also cover aspects from safety, packaging, to requirements for logistics and warehousing, mainly, the suitable temperature and humidity for each type of fruits in transit. Our procurement staff are now equipped with a portable testing tool set for them to conveniently conduct preliminary inspections on site with respect to size, weight, hardness, scale thickness and sugar content.

We conduct sampling inspections on each batch of fruit products upon arrival by applying the relevant quality standards in procurement. We also review relevant certificates or other documentations, if applicable, to ensure the products delivered have met the required safety standards. In case that a batch of products fails to meet our procurement requirements, we may return such products to the relevant suppliers, or may downgrade the quality level to be assigned before we accept this batch.

Quality Control Standards

We have established detailed quality control manuals for each process of product acceptance, product dispatch and inspection. To ensure that the fruits are in the same quality when they are dispatched from our warehouses as when they are delivered to us, we develop detailed technical criteria as to temperature and humidity for the warehousing of each type of fruits. Accordingly, our warehouses are separated into different temperature zones to satisfy the different storage requirements. We adopt "first-in-first-out" and "first-ripen-first-out" policy and require perishable fruits to be delivered within a specific period of time. We also closely monitor the vehicle fleets we engage to ensure the products in transit are preserved in the best conditions before dispatching to the retail stores.

Acceptance Standards and Sales Standards

Our continuous efforts to sell fruits in the best conditions and within an optimal shelf life by implementing stringent quality control measures throughout our operations require the ultimate cooperation from the retail stores. To ensure the retail stores are in the full compliance with our technical protocols and quality standards, we distribute comprehensive manuals and provide periodical trainings to our franchisees and their staff. Our in-store quality requirements cover from hygiene conditions, standards for product packaging and display, shelf stacking and shelf life, in-store storage requirements such as temperature and humidity, even to standardized consumer services such as shopping guide and foretaste. We also conduct both scheduled and unannounced inspections by store supervisors or mystery customers to ensure the full and constant compliance with our policies and procedures by the retail stores.

We currently have a quality control team comprising 172 employees, among which approximately 27% have a bachelor's degree. Our director of quality control is a certified committee member of China Chain Store & Franchise Association and there are also over ten personnel who possess the preliminary or intermediate certificate in Food Safety Management or Food Testing.

RESEARCH AND DEVELOPMENT

In-house Research and Development

Continuous research and development is fundamental to our brand recognition and is critical to maintaining our leading position in our industry. Our research and development efforts primarily focus on developing and improving cultivation and post-harvest processing techniques that are contributable to the upgrades of fruit quality and/or production yield. We also engage in the research and development of IT technologies. The continuous developments and improvements to IT systems support an efficient operation of our entire industry value chain.

As of the Latest Practicable Date, our post-harvest research and development center had 27 employees, including one expert consultant. All of the employees have a bachelor's degree or above and six have a master's degree. Our post-harvest research and development center is divided into three regional teams and has a post-harvest biology laboratory, and a food safety laboratory. The post-harvest biology laboratory currently has ten employees, all of whom have a bachelor's degree or above and four have a master's degree. Most of these employees major in post-harvest technology related subjects. The food safety laboratory has 12 employees, all of whom major in food related subjects and have a bachelor's degree. In addition, we have an IT research and development team with over 525 personnel. Apart from the daily IT maintenance for our Group, there are also designated teams responsible for development of mid-end platforms, algorithm and analysis, and various hardware and software development. We intend to establish industrial information platforms that may benefit various business partners by providing data synergy.

During the Track Record Period, we recorded research and development expenses of RMB59.3 million, RMB106.1 million, RMB139.7 million, and RMB86.3 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022, mainly for our IT research and development efforts.

Industrial Investments and Collaborations

We actively identify and pursue partnerships or collaborations with various leading industrial players so as to take advantage of their specialized academic or technical expertise to supplement our in-house research capabilities, which in turn, are expected to improve our long-term business prosperity and further empower our entire ecosystem.

We have a track record of successful minority investments that have benefited our business and other players in our ecosystem through delivering advanced cultivation and post-harvest techniques or specialized cultivation management solutions. For example, we used to strategically hold minority interests in Youguolian and Younongdao before we increased equity investments and acquired them as our consolidated subsidiaries.

We invest in a fruit seed research and development company, which is specialized in high-quality fruit seed identification, breeding, protection and management, and commercialization. This company has studied over 100 new breeds and successfully identified a number of fruit breeds with commercial potentials to promote cultivation experiments and subsequent commercialization. We also invested in an agricultural technology company engaging in service, marketing and consulting solutions. This company is the general agent of a number of foreign famous agricultural equipment and technologies, which strives to import advanced abroad equipment and technology into China to develop customized agricultural solutions for commercialized farmers. In addition, we have invested in several companies focusing on the development of single agricultural products, such as an avocado development and marketing company and a premium cherry breed development company.

Other than the minority investments in a diverse array of companies, we also from time to time establish collaborative relationships with national leading research and academic institutions. For example, we have entered into a strategic cooperation agreement with Jinan Fruit Research Institution, which is a national leading research entity specializing in the post-harvest engineering and technique researches. The strategic cooperation agreement provides several industry-research collaborations, including to jointly establish, evaluate and promote industrial technical standards for the purpose of the industry standardization strategy; to foster promotional cooperation for technology demonstration, under which Jinan Fruit Research Institution will allow us to access its resources and prioritize to consider the stores, plantation bases and preliminary processing and distribution centers as its technology demonstration bases; and to facilitate talent exchange and education, under which both parties periodically initiate experience exchange opportunities for our experts and technical personnel. In addition, pursuant to the strategic cooperation agreement, both parties also agree to jointly conduct research and share results through the establishment of a quality testing laboratory and a technology and innovation center for vegetarian fresh food and fruit products. We have cooperated with the Academy of Agricultural Sciences of Guangxi Zhuang Autonomous Region to establish a production and research base. Both parties will carry out long-term collaborations in terms of cultivation technology innovation for designated crops. Both parties will also train technical talents by taking advantage of one another's technological advancements. Moreover, we have established cooperation with certain fruit product research institutions to explore collaborations in terms of new breed development, cultivation experiments, and others. Under the collaboration agreements with research and academic institutions, we typically provide technologies and the collaborative experiments are usually conducted on fields or crops provided by the research and academic institutions. Both parties usually do not transfer their respective ownership of the core technologies. In addition, both parties share the information right to the experiment data. We typically have the right of first refusal as to the transfer or exclusive license with respect to the experimental results owned by the research and academic institutions. Each party shall be responsible for the respective costs and expenses it incurs in connection with the collaborative experiments.

DATA PRIVACY AND PROTECTION

Our Efforts on Data Privacy and Protection

In the ordinary course of business, we from time to time collect and use certain personal information of our consumers, such as the consumer's mobile phone number and delivery address, which are primarily used for the purpose of membership identification and provision of consumer services. We consider the protection of the data privacy of our consumers to be of paramount importance. We have in place policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of the PRC, such as the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), please refer to "Regulatory Overview — Laws and Regulations in the PRC in relation to Privacy Protection" for further details.

We have adopted data security and protection protocols, which provide for data management responsibilities, data classification, data protection and confidentiality procedures. We have also established a dedicated data team to lead the implementation and review of internal data privacy protection policies and practice. In addition, our in-house legal team provides our Directors, senior management and other employees with training and regulatory updates as well as analysis on the applicability of new laws, regulations, policies and industry standards to our business, to proactively identify any potential risks including those with respect to privacy and data protection. We will also continually update our policies and internal control measures for data protection based on evolving regulatory requirements and industry standards.

We have currently implemented a number of detailed measures with respect to cybersecurity and personal data protection. For example, we have formulated appropriate rules to handle consumers' personal data and provide adequate notice to consumers by pop-up notification boxes or in other prominent ways. We notify consumers and obtain consents from them about how we collect and use their personal data, and how we transfer such data to third parties under the circumstance that we need to transfer data for delivering consumer services. We are in the process of optimizing our arrangements with third parties that may share data with us, who are required to comply with the applicable data protection laws and regulations in processing data from us. Data regarding our consumers' online purchases made through third-party platforms are managed subject to those third-party platforms' data governance policies.

During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to data security and privacy in all material aspects.

Our Compliance with Relevant Laws and Regulations

In recent years, with the promulgation of a series of laws and regulations related to cybersecurity and data protection, the MIIT, the CAC and other competent authorities have taken relevant measures against some mobile apps that infringe on users' rights and interests. The frequency of implementation of the relevant measures has gradually increased since 2020.

In 2020, our Pagoda mobile APPs were listed on a notice of criticism circulated by the MIIT, which determined our mobile APPs violated relevant regulations in collecting personal data in advanced stages and failed to fully disclose third-party software development kit (SDK) information and enabling authentication by default during account registration. We reviewed our APP system immediately and coordinated with China Academy of Information and Communications Technology to carry out rectification measures. Our rectified Pagoda mobile APPs were recognized and approved by the MIIT in November 2020. In addition, during the Track Record Period, in several cybersecurity drill tests run by the Public Information Network Security Monitoring Department under local municipal Public Security Bureau, we were identified with some cybersecurity vulnerabilities and had potential risks of information leakage. We were notified to make rectifications. After one drill test, we were also fined RMB10,000. Upon receipt of the rectification notices, we immediately conducted thorough reviews on relevant systems and made rectifications, including discontinuing unnecessary system services, modifying system access authorization, enhancing encryption algorithm for certain user data so as to improve confidentiality and security. Additionally, we engaged external cybersecurity companies to conduct tests on our systems and made rectifications accordingly. In the above-mentioned evaluations through drill tests by the relevant authorities, there have been no actual user data leakage incident. We have received confirmations from the competent authorities stating that we had completed the rectification with respect to the above-mentioned matters, and had not experienced any material non-compliance. We passed the annual evaluation of cybersecurity level protection in 2020 and 2021. As advised by our Special PRC Legal Adviser, based on the rectification measures we have adopted and the confirmations received from the relevant authorities, the likelihood that we will be subject to further administrative penalties in the future due to the above-mentioned incidents is remote.

We believe the measures we take with respect to data privacy and protection are consistent with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data breach incident. For risks related to data privacy protection, see "Risk Factors — Risks Relating to Our Business and Industry — Our business generates and processes a large amount of data, including personal and business data, and the improper collection, hosting, use or disclosure of data could harm our reputation and have a material adverse effect on our business and prospects. Any actual or perceived failure by us or third parties to comply with applicable data protection laws and regulations or privacy policies, including privacy concerns relating to unauthorized use of user information by us or third parties, could damage our reputation, adversely affect the consumers' confidence in us, or subject us to governmental regulation and other legal obligations."

IT CAPACITIES AND INFRASTRUCTURE

Reliable and streamlined IT systems and infrastructure have been, and will continue to be, essential for us to enable growth and achieve efficiency. We have established integrated IT systems to support all major aspects of our operations, covering from procurement transactions, inventory management in both distribution centers and retail stores, logistics, franchisee management and store stock replenishments, membership management, to financial data management and other administrative functions. With the input of our accumulated operational experience and industry insights, our integrated IT systems are able to perform data mining and analysis for various operational modules.

We endeavor to continuously improve the capabilities of various operational modules embedded in our IT systems and to maximize data synergy across the entire systems. Among others, our front-end store-level POS system captures comprehensive store operational data, mainly procurement, inventory and sales, and other key performance indicators which are linked to and monitored by our Pagoda ERP system on a real-time basis. Our Pagoda ERP system also seamlessly functions with the WMS (warehouse management system) and TMS (transportation management system) systems, which are managing our warehousing and logistics information, respectively, through which we are able to monitor the status of our inventory level in the preliminary processing and distribution centers and adjust the logistic arrangements among local preliminary processing and distribution centers and to retail stores in a timely manner. We have developed our SCM (supply chain management) system to facilitate our procurement transactions and information sharing with our suppliers.

We are in the process of developing our business and data mid-end platforms. By centralizing module parts that are heavily utilized during daily operations into one streamlined architecture, mid-end platforms are expected to increase data collection unification and consistency, enhance collaboration among different departments, improve data transparency and accessibility by various functions, each of which will significantly improve our operating efficiency and reduce management cost. Meanwhile, mid-end architecture is featured with high flexibility and scalability that we are able to build on additional operational modules as our business continues to grow. We also expect our business and data mid-end platforms to empower our ecosystem by means of data exchange and sharing with other industrial players.

Most of our major IT systems are hosted and operated on cloud architecture which allows more scaling features at a relatively lower cost. We have established a strong IT team with five subsidiaries specifically engaging in the IT research and development for equipment support. We currently have a dedicated IT team of over 500 employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material technical incident that had a material impact on our operations.

BRANDING AND MARKETING

We place a great emphasis on our brand building and strive to promote our brand awareness among more consumers. We adopt a strategy to develop channel brands (such as Pagoda) and product brands (such as the Red Ballerina brand) in parallel. Leveraging our offline store network with over 5,500 stores, under our supervision, our retail store managers currently operate approximately 49,800 store-based WeChat groups to engage in real-time communication and transact with over 8.5 million WeChat community followers.

Our fundamental marketing strategy is to continuously provide high-quality fruits to the end consumers through our online and offline distribution channels. We place a significant emphasis on consumer experience instead of sales of products. We promote our business philosophy to consumers through marketing contents and communications. To this end, we carry out marketing campaigns by deploying various mediums, including text, graphic, audio and video, through our official WeChat account, Douyin short-form videos, Weibo, SMS, in-store display lightboxes and so on. This allows us to reach more potential consumers and reinforce the recognition of our products, brands and corporate image.

We strive to rejuvenate our brands. We fully upgraded our Pagoda brand by refreshing the brand visions and identities in 2019. We strive to make our brands constantly welcomed by consumers of different age groups. Meanwhile, we have also developed the intellectual property derivative products in association with our upgraded Pagoda brand, which are believed to be consumer-friendly and are more well-accepted by potential consumers. We have been focusing on the development of brand contents and the promotion of fruit knowledge and culture, which constitute an important part of our branding and marketing strategies. Leveraging those new and trending marketing channels and technologies, we expect our consumers to get more familiar with our products. We intend to accumulate more loyal consumers for our Pagoda brand by educating the accurate knowledge about fruits.

We carry out our multi-dimensional marketing campaigns through offline stores and online channels. Our store network currently has over 5,500 offline stores across the country, and each store is a marketing medium. We have also partnered with Zespri, a global leading kiwifruit marketing company, to promote the Zespri branded kiwifruit in the offline retail stores nationwide. We set up separate promotional zone in stores and assign dedicated sales assistants, which not only helps with the transactions at that time, but also benefits the ongoing marketing for such brand. We were well recognized by Zespri for many years and was awarded by it as the Best Retailing Customer in 2019, and Pagoda has been recognized as a top-ranked retail channel in terms of sales volume by Zespri for successive years from 2017.

Moreover, our multi-channel marketing approach also facilitates us in the development of product brands and featured products. For example, to promote musang king durian (大芭貓山王) and certain other featured fruit products, we leveraged in-store displays, together with promotional activities on mobile APPs and other new media channels, to create the theme-based marketing designs, creative product packaging as well as audio and video contents. The omni-channel marketing efforts to promote the product brands have been able to maximize the product value. We from time to time launch new products to cater to the consumer need for freshness and innovation. As such, Pagoda is not only a channel brand, but also a channel that incubates product brands and empowers products.

We are dedicated to exploring innovative marketing activities that benefit our consumers. We have established presence on leading social commerce platforms in China, such as Douyin. We registered our official accounts to introduce our products, services, brands, as well as, cultivation and culture of fruits via short-form videos. As of the Latest Practicable Date, we had accumulated over 1.7 million followers on Douyin and our short-form videos aggregately received over 100 million views. We also hosted live streaming sessions on mainstream platforms, including Taobao and WeChat. Currently, we have launched several live streaming events for product promotion. Such new interactive marketing approach enables us to promote products and to create more sales opportunities at the same time.

We also from time to time organize immersive fruit origin trips. We take advantage of precise marketing strategy to identify potential consumer targets, and utilize community-based marketing to recruit loyal consumers as our Pagoda Hunters. During the fruit origin trips, we introduced those consumers to visit the fruit plantation bases and revealed affectionate stories behind the birth of the delicious fruits. The fruit origin trips not only promote the products themselves, but also spread the underlying values in connection with cultivate culture. From 2019 to 2021, we also partnered with local Royal Thai Embassy in Haikou city to host the Fruit Festival, which successfully boosted the sales of fruits from Thailand, paving the path to a long-term collaboration and business opportunities.

We always engage in frequent and close communications with our consumers. On daily and weekly basis, we release appealing contents and commence promotions through offline and online distribution channels including offline stores and mobile APPs, which reinforce our connection with consumers and generate potential transaction opportunities. We drive our offline consumers' focus on online marketing platforms and also attract online consumers to purchase in offline stores, which enables the closed loop marketing. Aside from a trading relationship, we are more eager to foster a partnership with our consumers where our brands and our consumers can grow together. This is also a part of our development strategy to establish caring and compassionate community stores.

We from time to time invite domestic influencers and KOLs to participate in interactive marketing events. We expect to achieve multifaceted and diversified word-of-mouth branding effects. Taking advantage of data analytics and the establishment of our membership systems, we are able to modify our marketing management based on the feedback from consumers, which in turn, allows us to improve the products and associated marketing methods. This also increases consumer satisfaction and contributes to the sales. We expect our branding and marketing efforts may eventually lead to quality brand equity.

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions as of the Latest Practicable Date.

Awards/Recognitions	Issuing Entity	Year of Receipt and Expiry Date
Top 100 Fruit Industry Revitalization Brand in 2021	China Fruit Marketing Association and the Seventh China Fruit Industry Brand Conference	May 2022
Most Admired Enterprise in Big Consumption Sector in China in 2021	iResearch	2021
Food Safety and Integrity Entity in 2020 and 2021	Committee of China Food Safety Conference	December 2020 and December 2021
2021 Most Leading New Retail Enterprise	China Internet Weekly	2021
Top 50 Most Influential Corporate Brand in 2016 to 2020	Committee of the Development of China Brand Conference	October 2016, October 2017, October 2018, October 2019 and June 2021
China Best Franchise Brand in 2019	China Chain Store and Franchise Association	March 2019
Top 50 Social E-commerce Business in 2019	Eburn.com	July 2019
Corporate Social Responsibility Award – Poverty Alleviation	People.com	December 2018
Enterprise Most Loved by Employees in Chain Store Franchise Industry in 2017 and 2018	China Chain Store and Franchise Association	November 2017 and November 2018

EMPLOYEES

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had a total of 3,693, 3,550, 3,620 and 3,184 full-time employees, respectively. Currently, substantially all of our employees are in China. The table below sets forth our full-time employees by functions as of the Latest Practicable Date:

Department/Function	Number of Employees	%
Administration and others	444	14.3
Finance	106	3.4
Franchise development and engineering	52	1.7
IT (research and development)	525	16.9
Marketing	620	19.9
Operating and store management	582	18.7
Procurement	240	7.7
Production and logistics	544	17.5
Total	3,113	100.0

We currently recruit new employees primarily through on-campus recruitment programs. In addition, we place a significant emphasis on internal referral and internal promotional opportunities which we believe enable us to retain employees that understand our business model and appreciate our corporate value, which in turn, is vital to our sustainable long-term development. We do not use any employment agencies.

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. Therefore, we design and offer various training programs for employees of different departments and positions, covering subjects from retailing, supply chain and logistics, as well as general management, in order to enhance their professional skill sets, and understanding of our company and the industry.

We enter into employment contracts with all of our employees. We also enter into confidentiality agreements with all of our employees and franchisees. We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Our sales and marketing personnel may also receive bonuses based on the sales targets they accomplish, by taking into account the overall sales performance of the stores in the same regional market in the relevant period. Save as disclosed in "— Licenses, Regulatory Approvals 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 established a labor union in July 2018 that represents the employees with respect to labor disputes and other employee matters. Such labor union is not covered by any collective bargaining agreement. We have not experienced any significant labor disputes which have adversely affected or are likely to have adverse effects on our business operations. We believe we have maintained a good relationship with our employees and we did not have any material labor dispute during the Track Record Period.

PROPERTIES

Owned Properties

We occupy certain properties in China in connection with our business operations. As of the Latest Practicable Date, we owned five land parcels with a total site area of approximately 54,529 sq.m. and we had obtained the land use right certificates for these land parcels. There are properties with an aggregate floor area of approximately 27,103 sq.m. located on the land, mainly for warehousing spaces for Haiyang Jinchengtai and Jiangxi Wangpin, employee dormitories and public facility equipment.

Leased Properties

As of the Latest Practicable Date, we had entered into 175 lease agreements to lease properties with an aggregate floor area of approximately 227,594 sq.m. from third parties, mainly for our warehousing spaces, office spaces and employee dormitories. The leases generally have a term ranging from 0.5 year to 10 years. We will consider renewing the leases upon their expiry.

Leased Properties with Title Defects

Certain of our office spaces, including the premises where our current headquarters are located, and certain of our preliminary processing and distribution centers are located in leased properties that have title defects due to various reasons. As of the Latest Practicable Date, such leased properties with title defects included (i) three of our preliminary processing and distribution centers with an aggregate floor area of approximately 26,352 sq.m., accounting for approximately 16% of total floor area of preliminary processing and distribution centers operated by us, and (ii) employee dormitories, office spaces and others with an aggregate floor area of approximately 46,857 sq.m.

With respect to the preliminary processing and distribution centers, the title defects were primarily due to the failure by the lessors to obtain relevant ownership certificates. To be specific, such preliminary processing and distribution centers had obtained relevant construction planning permits, or construction work commencement permits, or had completed the acceptance inspections, but yet to obtain the ownership certificates.

With respect to the office spaces and dormitories, the title defects were mainly due to one or more of the following causes: (i) uncompleted administrative procedures resulting from historical reasons or procedural failures during local urbanization progress; (ii) the defective leased properties were located on collectively owned land, allocated land, or land parcels with other title defects; and/or (iii) the lessors cannot obtain or provide to us sufficient and valid ownership certificates, proof of completing the procedures for leasing the allocated land, etc., or proper authorization from the owners of such leased properties.

As advised by our PRC Legal Adviser, it is the relevant lessors' responsibility to comply with the relevant requirements and to obtain the relevant ownership certificates. Any failure to fulfill such procedures may subject the relevant lessors to penalties imposed by the land administrative authorities, construction administrative authorities or planning authorities etc. and the lease agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, our use of the leased properties with title defects 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 from such properties and relocate our offices, dormitories or distribution centers. With respect to the preliminary processing and distribution centers with title defects, our PRC Legal Adviser further advised that, the above-mentioned distribution centers had obtained relevant construction planning permits, or construction work commencement permits, or had completed the acceptance inspections, but not yet obtained the ownership certificates. Pursuant to the applicable laws and regulations, the relevant lease agreements are valid and legally binding. Furthermore, according to the Civil Code (《中華人民共和國民法典》) and Construction Law of the People's Republic of China (《中華人民共和國建築法》), a project construction of which is completed may be delivered for use upon passing the acceptance inspection. Among the aforementioned preliminary processing and distribution centers with an aggregate floor area of approximately 26,352 sq.m., leased properties with a total floor area of approximately 18,328 sq.m. have completed the acceptance filings. Therefore, the relevant lessors are entitled to deliver and lease such properties for us to use according to the lease agreements.

Our leases for the leased properties with title defects were not challenged by third parties or relevant authorities that had resulted or involved us as the defendant in disputes, lawsuits or claims in connection with the rights to lease and use such properties occupied by us during the Track Record Period and up to the Latest Practicable Date. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements.

With respect to the premises where our current headquarters are located, we have actively communicated with the landlords, and have consulted with the competent local authority. According to the interview, we received the confirmation that (i) the landlords have completed all requisite administrative procedures that they can complete at the current stage and are the legal owners of the leased properties, (ii) the landlords will apply for the ownership certificates for the leased properties once the local policies allow; and (iii) the local government does not have any plan to demolish, seize or otherwise dispose of the leased properties in the next five years.

In addition, we have acquired a land parcel located in Yantian, Shenzhen city with a total site area of 3,234 sq.m. and are in the process of constructing a new office building there. We expect the new office building to be completed in 2024 and we intend to relocate most of our major departments to the new premises.

In addition, we have also received the confirmations from Mr. Yu, our Controlling Shareholder, and Ms. Xu Yanlin, undertaking that in case that the relevant lease agreements are determined invalid, or the lease agreements are terminated prior to the relevant expiry date by the landlords due to the title defects, and the Company is not able to properly use the properties, they will supervise and urge our Company to actively look for a replacement, and will indemnify the Company for damages and losses as a result of forced eviction and relocation due to any such defects.

We intend to continue to use and lease those defective leased properties in order to secure the current optimal locations, particularly for those of our preliminary processing and distribution centers.

Our Directors are of the view that although we had not obtained confirmations from all the competent government authorities confirming that we will not be requested to vacate the defective leased properties, the risk of enforcement action by the relevant government authorities resulting in our large-scale eviction from such properties is remote and would not have a material adverse impact on our business, results of operations and financial condition. This is based on the following reasons: (i) given that these leased properties with title defects due to the lack of relevant ownership certificates are widely distributed across 29 cities in China, the risk that the relevant competent government authorities of all or several of such cities would simultaneously require us to evict from such properties is extremely remote; (ii) during the Track Record Period and as of the Latest Practicable Date, we are not aware of any request for or any enforcement action to vacate any of the defective leased properties; (iii) with regard to leased properties for the purpose of our office spaces and employee dormitories, it is generally easy for us to identify a replacement premise and relocate without incurring significant relocation cost; (iv) with respect to the premises where our headquarters are currently located, we have acquired a land parcel in Yantian, Shenzhen city and are in the process of constructing a new office building, which will be completed in 2024 and we intend to relocate most of our major departments to the new premises; and (v) it is not difficult for us to identify a suitable replacement property for the relocation of the distribution centers and the relocation cost with respect to each distribution center, including but not limited to rental fees for the new lease, relocation expenses, decoration expenses, and other costs and expenses in connection with the temporary interruption to such distribution center, is expected to be immaterial, because (a) the warehousing spaces in the size similar to our distribution centers that are subject to title defects are generally available in the market, (b) we are generally able to remove and relocate the equipment and facilities from our existing distribution centers to the new leased properties, (c) the properties we lease for our distribution centers generally do not need major construction or renovation before it can commence operations, thus, the renovation costs for the newly leased properties, are generally insignificant, (d) given our current logistic and warehousing network nationwide with strong IT support for logistic arrangements, a temporary closure of a local distribution center due to the relocation generally will not cause any interruption to our business as the distribution centers in surrounding areas will have sufficient capacity to support the retail stores initially covered by the relocated distribution center; we may also be able to leverage the logistic and warehousing capacity of our business partners located in the relevant regions. As such, if we are not able to continue to use such distribution centers due to the above mentioned title defects, we expect to be able to identify alternative places for relocation in a timely manner, which will not cause a material interruption to our operations. Based on current average lease fees we incurred in connection with our distribution centers and the aggregate gross floor area, the estimated expenses in connection with equipment and decoration for relocating a local distribution center, and the estimated additional expenses in connection with logistic and other operating rearrangements due to the temporary interruption to a local distribution center in one month, we estimate that we may incur no more than approximately RMB8.2 million on average to relocate a distribution center of average size, assuming a temporary interruption to operation of such center for less than one month.

Based on (i) the communications with relevant lessors, (ii) the confirmation made by the Company that it is not difficult for the Company to identify a replacement premise and relocate in case of a forced eviction, and (iii) the undertaking from Mr. Yu and Ms. Xu Yanlin, our PRC Legal Adviser concurs with the view of our Directors that the risk of us being subject to enforcement action by the relevant government authorities resulting in our large-scale eviction from such properties which causes actual material losses to us is remote.

In an effort to prevent future recurrence of occupying properties with defective titles, we have established internal control policies regarding the selection and approval of leasing and purchasing of properties, as follows: (i) as to leased properties that are currently subject to title defects, we have assigned dedicated personnel to follow up with the lessors and/or other relevant parties in connection with the status of the ownership certificates and/or other relevant documentations and to understand any other potential risks based on periodical communications; (ii) as to the leases that we expect to enter into in the future, we have internally promoted the awareness of legal compliance and urged the relevant personnel to prioritize pursuing lease without any title defect; meanwhile, our legal department is responsible for the review and approval of relevant lease agreements, with a focus on confirming the designated use of land and the status of relevant ownership certificates; and (iii) we are currently contemplating to carry out rectification measures with respect to leased properties that are currently subject to title defects, and may consider vacating from such properties and seek other suitable replacement or to collaborate with professional third-party warehousing service providers in the future.

Lease Registration

As of the Latest Practicable Date, 175 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Adviser, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed. The aggregate amount of maximum fine will be approximately RMB1.8 million. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to the failure to register and file all the relevant lease agreements at the same time is very remote.

PROPERTY VALUATION

As of June 30, 2022, 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 document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document 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.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws to protect our trade secrets and other intellectual property rights. We have entered into confidentiality agreements with each of our senior management. In addition, the franchise arrangements we enter into with our franchisees also contain provisions that prohibit the franchisees from infringing our intellectual property and trade secrets during their daily operations.

As of the Latest Practicable Date, we had 1,424 registered trademarks in China and 62 pending trademark registration applications. In addition, we had 17 registered trademark in Hong Kong and 140 trademarks registered in other countries and regions as of the same date. As of the same date, we also had 20 domain names.

As our brand names are becoming more and more recognized among consumers in China, we believe that protecting and enforcing our intellectual property rights is 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-how that is 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.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material infringement claim of trademarks, copyrights, trade secret or any other intellectual property rights against or raised by us. As of the Latest Practicable Date, we did not have any outstanding material proceedings in connection with infringement of intellectual property rights brought about by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. Moreover, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Governance

We are subject to various health, safety, social and environmental laws and regulations and regular inspection by governmental authorities. We are committed to environmental, social responsibility, governance and climate-related (collectively "**ESG**") issues which are essential to our continuous business development and success.

Our Board has the ultimate accountability for our ESG strategy, management and performance. Our Board examines and approves our ESG objectives, strategies, priorities, initiatives and targets as well as the corresponding policies and frameworks that support their achievement.

To effectively manage ESG related matters, our Board has established an ESG committee, which comprises three directors, namely our president, Ms. Xu, our executive deputy general manager and an executive director, Mr. Jiao, and a non-executive director. Our ESG committee is primarily responsible for (i) supervising and reviewing the establishment of our Group's ESG vision and strategies, and reporting and advising to the Board, (ii) evaluating and sorting out ESG risks and opportunities, and reporting and advising to the Board, (iii) reviewing ESG related reports to be released to the public, and reporting and advising to the Board, and (iv) studying and advising on other ESG related significant matters that may affect the Company's development.

We have implemented a set of ESG policies based on the applicable laws and regulations, which set forth our internal policies and measures in respect of, among other things, environmental protection, labor protection, food safety, corporate governance and code of ethics upon [**REDACTED**].

Impact of The Climate Risks and Opportunities

We consider that the risks and opportunities of changing climate have a significant impact on our business, strategy or financial performance. We have identified the following ESG risks and opportunities, primarily relating to climate risks and responses related to our business, with reference to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures, as follows:

- Physical risks: The frequency of extreme weather events, such as hurricanes, typhoons, hail, etc., and natural disasters, such as earthquakes, forest fires, floods, etc., may continue to increase, which may cause physical harm to the fruit cultivation. Under extreme climates, several affected regions may face the loss of the entire fruit harvest, and the supply of fruit is vulnerable to crop diseases or pests. Therefore, we constantly explore planting techniques to help enhance disease and pest monitoring and control for various fruit types, as well as to protect the planting conditions of fruits under extreme weather. At the same time, extreme weather may also have certain adverse effects on our offline franchised stores and distribution centers, endangering the safety and health of employees, and affecting the flow of consumers to the franchised stores. In response, we have implemented emergency preventive measures to deal with severe weather conditions, such as regular drills and training on extreme weather emergency plans at our distribution centers, and implementation of safety risk prevention and control measures in stores to ensure the health and safety of employees.

- Transition risks: As public awareness of climate change grows, our business faces a series of transition risks. With the rising awareness of consumers on environmental protection and health, more consumers are likely to change their eating habits and pay more attention to food traceability, environmental protection and demand for green and healthy product requirements. This may require us to diversify our products and services, improve food quality, and reduce our own carbon footprint (such as the use of environmentally friendly packaging materials) in daily operations to meet the expectations of consumers, which may increase our operating and compliance costs, affecting our business and financial performance as a result.

- Potential opportunities: The whole society is transitioning to a green, low-carbon, zero-carbon economy. With the popularization and application of technologies and the further streamline of our online and offline operations, our business operations will see a huge improvement in managing the energy efficiency and there will be better chances for us to be recognized by end consumers and business partners over other less environmentally friendly 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 diet and our well established brand awareness in connection with high-quality fruits will enable us to acquire more market share in the future, which in turn, is beneficial to further increasing our popularity, sales and profit margins. Looking forward to 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.

Measures to Manage and Mitigate ESG risks

We are committed to building a green ecological industry chain from plantation to retail. We have adopted the following measures to identify, assess, manage and mitigate ESG risks:

- With respect to the upstream, we establish sustainable supply chain through our own plantation bases or empowering our suppliers.

- With respect to the midstream, we have established an efficient warehouse distribution cold chain system. By controlling the different temperature zones of the warehouse and optimizing the frequency of incoming and outgoing shipments in different temperature zones, the intensity of the energy consumption of the warehouse continues to improve, and through proper route planning in logistic, it helps reduce cost and improve distribution efficiency.

- With respect to the downstream, we are committed to establishing a fruit franchise retail business model that closely integrates online and offline operations with the store-as-warehouse features. Community-based offline retail stores are typically within walking distance, and online ordering with flexible delivery options further provides convenience and efficiency in purchasing. In addition, we take seriously the effects that the retail stores may have on the environment; hence, in establishing our retail store operation policies, the retail stores are retrofit using environmentally friendly building materials and equipped with LED lighting.

Resource Usage

We are motivated to engage, and encourage third-party suppliers to engage the logistic services using new energy trucks in accordance with government policy requirements.

By optimizing energy management, replacing equipment and adopting energy-saving measures, we improve the resource utilization efficiency of our offices, preliminary processing and distribution centres, and deep processing zones. Main energy-consumption equipment at our preliminary processing and distribution centres include refrigerators, conveyor belts and other electronic devices during packaging, sorting, warehousing and logistics. We also use a number of processing machinery at the deep processing zones to produce dried fruits, juices and frozen fruits. We have improved power efficiency by choosing energy-saving equipment. For example, some large refrigerators in distribution centres are installed with inverter settings. Our resource-saving measures also include:

- Installation of LED lights in all office areas;

- Enhanced insulation in distribution centers to reduce temperature loss through sealing of window and compartments;

- Requiring the personnel at distribution center to close the door and turn off the lights when leaving the refrigerators;

- Promoting the development of simplified, efficient and paperless office processes;

- Electric power forklifts used in the distribution centers;

- Optimizing the routes from the distribution centers to the retail stores to improve vehicle utilization and loading rate, save fuel, and speed up the delivery;

- Inspection and cleaning of refrigeration equipment on a monthly basis at distribution centers to maintain the equipment condition at a proper energy consumption level; and

- Faulty equipment is maintained and replaced in a timely manner to avoid wasting of electricity due to equipment damage or poor insulation.

Waste

Major daily wastes of our preliminary processing and distribution centers are mainly spoiled fruit products and wastewater from fruit cleaning. Specific measures are taken to deal with such wastes as follows:

- The solid wastes generated by the distribution centers are mainly damaged fruits, which are collected and uniformly handled by designated third parties.

- The solid wastes produced by the fruit processing areas are mainly fruit peels, which are processed by separating dry and wet characteristic of the wastes, and are placed in separate designated trash cans and handed over to designated third parties.

- The wastewater produced by us is mainly water for fruit cleaning, which is discharged into the municipal discharge network. In addition, all the cooling water required by the freeze-drying process equipment is recycled without being discharged.

Packaging Materials

We are committed to environmental protection and we advocate and practice sustainable development. 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.

Currently, packaging materials used by us may be divided into warehouse bulk packaging and store retail packaging. Specific environmental protection measures are as follows:

- Warehouse bulk packaging uses reusable baskets and incubators for delivery. At the same time, we recommend our fruit suppliers to use recyclable baskets instead of paper cartons to jointly promote sustainable development.

- Store retail packaging mainly includes straws, shopping bags, fruit cutting containers, packaging boxes, packaging bags, gift boxes and baskets and fruit labelling. When purchasing retail packaging materials, we require suppliers to provide corresponding environmental qualification certificates, such as environmental impact approval, and for printing suppliers, they need to provide pollution discharge permits and FSC certification. At the same time, we are more inclined to choose merchants with ISO14001 certification. At present, the various packaging materials used by us can be mainly further divided into biodegradable, environmentally friendly degradable, environmentally friendly recyclable plastics, and paper products. details as follows:

  - Biodegradable packaging materials include straws, large and medium shopping bags and fruit cutting containers, the material composition of which is sugar cane pulp or new fully degradable materials.

- Environmentally friendly and degradable packaging materials include non-woven take-out bags, the material composition of which is PP laminated.

- Environmentally friendly plastics packaging materials include fruit cutting containers, packaging boxes and packaging bags, the material composition of which includes food-contact grade PP, PET or new PO materials, etc.

- Paper-based packaging materials include gift boxes, gift baskets and fruit labels, which are made of white cardboard, corrugated paper and coated paper.

Going forward, we will continue to promote the de-plasticization of product packaging and gradually increase the proportion of biodegradable packaging materials. In addition, we also encourage consumers to bring their own shopping bags to the store to reduce resource usage.

Major Indicators

We have calculated quantitative information that reflects our major ESG risks, including greenhouse gas emissions and resource consumptions.

Greenhouse gas emissions include Scope 1 and Scope 2 emissions. Scope 1 direct emissions include refrigerants used in refrigerators and fuel consumed by the company vehicles. Scope 2 indirect energy emissions include greenhouse gas emissions from the purchase of electricity.

The table below sets forth data on our greenhouse gas emissions and resource consumption at our Shenzhen headquarters, our fruit product deep processing area in Dongguan, and 15 self-operated distribution centres across the country as of December 31, 2021.

	2021 Tonnes of CO_2 equivalent
Scope 1 direct greenhouse gas emissions(1)	132.8
Scope 2 indirect greenhouse gas emissions(1)	12,377.2
Total greenhouse gas emissions	12,510

*1. The energy consumption of the distribution centres in Beijing and Ningbo is handled by the property management companies, thus it is not included in this calculation.

Although our overall energy consumption would increase along with our future business growth, our goal is to gradually adopt greener measures to reduce the average energy consumption by unit in our daily operations. The data will be used as a basis for developing more relevant energy saving and emission reduction measures and setting appropriate emission reduction targets for us in the future.

Resource consumption	2021
Electricity	15,283,873 kWh
Water consumption(2)	557,628 m^3
Gasoline	6,931 Litres

*2. The water consumption of Jinhua's distribution centre is handled by the property management company, thus it is not included in this calculation.

Anti-Corruption

We 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 a number of policies, including the Anti-Fraud and Anti-Corruption System, Four Provisions on Preventing the Use of Power for Personal Interest, Employee Integrity and Self-discipline Management Regulations, and Conflict of Interest Management System. 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, preferential policies, opportunities and resources for themselves, relatives, friends or other stakeholders.

We have also established a whistle-blowing system with hotline, e-mail and mailbox, and announced it to employees at all levels and all stakeholders that have direct or indirect economic relations with us. Our whistle-blowing number has been exhibited in all offline franchised stores, which is open to consumers at any time to report actions that may violate professional ethics or codes of business conducts.

Corporate Social Responsibility

Industrial poverty alleviation

We actively respond to national policies and take advantage of our own industry chain to carry out a comprehensive poverty alleviation strategy. For many years, we have been committed to helping farmers in poor areas to develop fruit agriculture and increasing the income of poor families.

In 2018, we launched the poverty alleviation strategy of "One Hundred Fruits and One Hundred Counties" by selecting 100 fruit categories in 100 impoverished areas across the country, and organizing production in poverty alleviation bases by leveraging our advantages in industry chain and technology. By assisting the establishment of poverty alleviation bases, our professional and technical team of Youguolian imparted planting knowledge to local fruit farmers and helped them grow good fruits. We then provided empowerments in subsequent marketing and commercialization, and branding.

Our poverty alleviation actions have won a number of honorary titles, such as the "Annual Poverty Alleviation Award" issued by People's Daily Online in 2018. We were selected as the "Industrial Poverty Alleviation Model," "Outstanding Enterprise in Fulfilling Social Responsibilities" and "Consumption Poverty Alleviation Love Unit" by China Fruit Circulation Association, Consumer Daily and Shenzhen Poverty Alleviation Office, respectively, in 2020. At the 2019 Brand Agricultural Influence Annual Ceremony held in Beijing, our chairman, Mr. Yu was awarded the "Agricultural Brand Influencer," and our Company won the "Industrial Poverty Alleviation Model" award.

Charitable Activities

In the context of the normalization of the COVID-19 pandemic, we established the "Spring Blossoms" public welfare project team to help medical frontline. At present, through the "Spring Blossoms" public welfare project, we have cooperated with partners at home and abroad to carry out more than 80 campaigns, donating medical and living materials to over ten epidemic-and disaster-stricken areas or groups.

Our efforts were well accepted and appreciated by various epidemic prevention and control headquarters, hospitals and sub-district committees and other institutions. We were recognized as "A Warm-hearted Enterprise" and "An Excellent Anti-pandemic Enterprise" by the Wuhan Municipal Blood Donation Leading Group Office and the Responsibility Cloud Research Institute respectively in 2020.

HEALTH AND SAFETY MATTERS

Although we are not a manufacturing company, we still have implemented stringent work safety policies. We have established an internal audit and monitoring department and have appointed a designated safety manager, who is responsible for managing and closely working with our regional safety personnel. We have measures on safety management in place, which specify the obligations of regional safety personnel, and the detailed scope and procedures of safety inspection work. In addition, we have also established management measures in response to particular incidents such as fire, theft and typhoon, which contain emergency response plans that the retail stores shall comply with. We have designated fire safety administrative personnel to supervise our fire safety management, who is led by the head of the internal audit and monitoring department at the headquarters level. With respect to our office spaces, our fire safety administrative personnel are required to inspect the fire equipment, facilities and emergency exits and report on a monthly basis. With respect to the retail stores and the preliminary processing and distribution centers, fire safety administrative personnel are required to conduct on-site inspections on the fire facilities and emergency exits on a monthly basis and prepare and archive the inspection reports.

During the Track Record Period and up to the Latest Practicable Date, we did not experienced any material health and safety incidents in the course of its business operation.

INSURANCE

As of the Latest Practicable Date, we had not had any outstanding material insurance claims against us. Except for the statutory social insurances as required by the relevant PRC laws and regulations, such as pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance, a limited number of vehicle insurance policies and the property all risk insurance purchased by certain subsidiaries, we do not retain any other insurance policies, such as product liability insurance and business interruption insurance, to cover our operations. See "Risk Factors — Risks Relating to Our Industry and Business — We have limited insurance to cover our potential losses and claims" for more details. We believe that our existing insurance coverage of our business is consistent with what we believe to be customary for business of our size and type and in line with the standard commercial practice in our industry.

COMPETITION

We operate in a highly competitive and fragmented industry. According to the Frost & Sullivan Report, the aggregate market share of the top five players of China's fruit retail industry only accounted for approximately 3.6% in the fruit retail market in China in 2021.

We compete with a broad range of competitors in the industry, including traditional markets, modern retail operators (including supermarkets, fresh food supermarkets and convenience stores), e-commerce operators, and fruit specialty retail operators (including national fruit specialty chain retail, regional fruit specialty chain retail and mom-pop stores). We compete with these industry players for high-quality suppliers, consumers, store locations and corporate operation talents.

We believe that our competitive advantages include our fruit quality classification system, strong supply chain management capability, efficiently franchise management, extensive distribution network, and advanced IT capabilities. According to the Frost & Sullivan Report, we were the largest fruit retailer in China in terms of total fruit retail sales value in 2021, accounting for 1.0% of total market share in China.

EFFECTS OF THE COVID-19

In late 2019, an outbreak of respiratory illness caused by a novel coronavirus, or COVID-19, was quickly spreading around the world, including in China. The COVID-19 pandemic has resulted in a high number of fatalities and materially and adversely affected the global economy. As the pandemic continues to flare, it remains considerably uncertain at current stage when the livelihood of the people and the global economy will achieve a full recovery. In an effort to combat the pandemic, the PRC central and local governments had imposed several policies, including travel restrictions in certain regions and a 76-day lockdown of Wuhan city from January 23, 2020. The retailing and consumer goods industries in the PRC have been interrupted during the mass quarantines as many local governments implemented travel restrictions and mandatory lockdown measures. Many retail stores also have voluntarily adopted protective measures and issued a temporary closure in 2020.

Since late 2019 up to the end of May 2020, a total of 191 of the retail stores had temporarily closed for over ten days to comply with the local governments' mandatory restrictive measures, most of which were located in Hubei Province. Due to the COVID-19 outbreak, the consumer traffic to other stores that did not close had also declined significantly in general. By the end of September 2020, all of the 191 stores that temporarily closed had resumed business and the consumer traffic has been recovering.

We had implemented precautionary measures since the early stage of the COVID-19 outbreak. For instance, drivers of our delivery fleets were subject to our centralized management, which ensured their safety and attendance and reduced the risks arising from human mobility. We also paid special attention to certain cities where we arranged special delivery routines for delivery at specific time and locations, ensuring uninterrupted logistic services in those cities. We adopted stringent standards in cleaning and disinfecting our vehicles and relevant staff. Our logistic services across the country and other business operations had not been materially interrupted by the COVID-19.

To respond to the evolving situations of the COVID-19 in 2020, we introduced certain temporary policies to support our franchisees and regional dealers during this difficult time. For example, to support those stores remained open during the COVID-19 outbreak, for the month of February 2020, we exempted the interests on the loans under our financial support arrangements with franchisees and regional dealers. Moreover, given the fact the number of online orders experienced a considerable increase during the COVID-19 outbreak, we exempted the monthly royalty fees in connection with online orders that were fulfilled by offline stores for February 2020. We also incurred expenses to provide protective materials to our employees and store staff and participated in various charitable donations. Travel restrictions and other measures in response to the COVID-19 in certain cities had resulted in the local residents' needs for fruits, vegetables and other fresh groceries unsatisfied, which unexpectedly stimulated online retail opportunities. We launched our quality fresh grocery strategy.

We incurred anti-pandemic related expenses of approximately RMB11.5 million in 2020, which were primarily in connection with the purchase of medical and safety supplies. We believe such amount, together with the potential expenses incurred in connection with our anti-pandemic measures were insignificant.

Although conditions have improved and the pandemic has generally been under control in China in 2021, since early 2022, there were resurgences of COVID-19 outbreak, including the COVID-19 Delta and Omicron variant cases, from time to time in multiple cities in China, and the local governments re-imposed certain quarantine and other restrictive measures. Certain offline retail stores in those affected areas were subject to temporary closure but to the extent practicably possible, maintained operations to respond to online orders. Since January 1, 2022 up to the Latest Practicable Date, some retail stores across the country that were subject to a temporary closure mainly in compliance with the local restrictive measures, but to the extent possible maintained operations to fulfill online orders, half of which were located in Shanghai. A majority of the affected stores experienced a closure for less than one month, with an average period of closure of 19 days. As of the Latest Practicable Date, approximately 96% of these stores had resumed business operation.

Moreover, the restrictive measures adopted in certain affected regions have caused uncertainty and disruption to our domestic supply chain. We experienced slight delays and increases in expenses in connection with rearranging our logistic services to ensure delivery of products from the places of origin to our distribution centers, and from such distribution centers to retail stores across the country. On the other hand, the temporary closure of major port cities and prolonged time required by customs clearance have also increased uncertainty and expenses for products imported from overseas. Since early 2022, our management has promptly adopted responsive measures to ease the pressure on our supply chain. We actively cooperated with local governments and strived to become a recognized livelihood security supplier, which would allow our logistic fleets to receive special licenses for inland travel. In addition, we promptly rearranged our route planning to maximize the logistic capacity, and explored additional flexible transport methods, such as drop-and-pull transport. With respect to imported products, we actively communicated with overseas suppliers and redirected designated ports to places that were not or less affected by travel restrictions. Lastly, we have also been continuously identifying high-quality local suppliers that may reduce our risk exposure to long-distance transportation. Due to our timely and effective responses, the delays and increases in expenses in connection with our logistic services arising from the resurgences of COVID-19 outbreak since 2022 were not material.

We estimated that we incurred anti-pandemic expenses of approximately RMB0.3 million during the period from January 1, 2022 and up to the Latest Practicable Date.

As of the Latest Practicable Date, we were closely monitoring the development of COVID-19 in China. There remain uncertainties surrounding the COVID-19 pandemic, including the existing and new variants of COVID-19. It is difficult to predict at current stage for how long and to what extent the COVID-19 would continue to have impacts on our operations. Nevertheless, given the nature of fruits which is a necessity for people's daily diets, we consider that the market demands and our sales, by taking into account the significant growth in our online sales, have resumed to normal in general.

We cannot guarantee you, however, that the COVID-19 pandemic will not further escalate or will not have a material adverse effect on our results of operations, financial position or prospects. The above-mentioned analysis is for illustrative purposes only and the actual impact caused by the COVID-19 pandemic will depend on its subsequent development. Our Directors will continue to assess the impacts of the COVID-19 on the business and financial performance of our Group and will closely monitor the risks and uncertainties arising thereof.

LEGAL PROCEEDINGS

We may be involved, from time to time, in legal proceedings arising from the ordinary course of our operations. As of Latest Practicable Date, there was no litigation, arbitration, administrative proceeding or claim of material importance pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

RISK MANAGEMENT, INTERNAL CONTROL AND NON-COMPLIANCE

We have developed and implemented risk management policies to identify and address the potential risks in relation to our operations, including strategic risks, operational risks, financial risks, and legal risks. Our risk management policies set forth procedures to identify, analyze, categorize, mitigate and monitor various risks. Our Board is responsible for overseeing the overall risk management. We periodically assess and update our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations.

We have also developed and implemented a series of internal control management measures. Our internal control system is designed to provide adequate assurance for effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Our internal control system covers all material aspects of our operations, including but not limited to corporate governance enhancement, supervision on legal compliance of franchised stores, settlement and reconciliation mechanism with franchisees, procurement and payment procedures, inventory track and reconciliation mechanism, investment management, internal audit and financial reporting system. We 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.

In February 2020, we engaged an independent consulting firm, as our internal control consultant to perform a review over our internal controls over financial reporting, covering areas such as entity level control, revenue and receivables, procurement to pay, inventory management, treasury management, human resources, financial reporting, tax management, fixed assets management, investment management, contract management, insurance management, information technology. The scope of the internal control review work performed and the long form report issued have been agreed between the Sole Sponsor, the internal control consultant and us.

We have adopted a set of procedures and measures based on the suggestion of our internal control consultant to further ensure the effectiveness of our internal controls and corporate governance practice. Our internal control consultant also performed follow-up procedures on our system of internal controls with regard to the remedial actions taken by us. Our internal control consultant did not have any further recommendation in the follow-up review. The internal control review and follow-up review described above were conducted based on information provided by us and no assurance or opinion was expressed by the internal control consultant.

Other than the internal controls and risk management measures in connection with various aspects of our operations, we will continue to implement the following internal control measures at our Group level:

- To meet the corporate governance standards as a listed company on the Stock Exchange, we will establish an audit committee, a remuneration committee and a nomination committee under the Board, and will provide in writing the respective responsibility of each committee; their primary duties include, among others, providing an independent view of our financial reporting process, internal control and risk management system, ensuring the levels of remuneration and compensation are appropriate, and recommending to the Board with suitably qualified persons;

- We will implement information disclosure policies and procedures for information identification and disclosure in connection with sensitive information and related party transactions subject to the requirements under the Listing Rules and relevant accounting standards;

- We plan to provide trainings to our Directors, management and employees to continuously raise their awareness of the importance of internal controls and legal compliance; in particular, we intend to continue to provide trainings for Directors and management with respect to the Listing Rules and duties of Directors of a listed company on the Stock Exchange; and

- We plan to engage professional consulting firms and/or law firms to provide trainings and advise on ongoing regulatory compliances with the relevant PRC laws and regulations; we will also constantly update our internal control policies based on our operational needs as well as changes of new laws and regulations.

Our Directors are of the view that our enhanced internal control system is sufficient and effective for our current operations.

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date and save as disclosed below in this section, we have complied with the relevant PRC laws and regulation in all material respects and have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China.

Failure to make full contribution to social insurance premiums and housing provident funds for all employees

During the Track Record Period, we failed to make full contribution to the social insurance premiums and housing provident funds (collectively "**Defined Contribution Plan**") for certain employees based on the statutory contribution bases. In 2019, 2020 and 2021 and the six months ended June 30, 2022, our total salary remuneration, being employee benefit less benefits and allowances and defined contribution plans, amounted to RMB463.8 million, RMB483.2 million, RMB593.9 million and RMB303.1 million, respectively. For the same periods, the percentage of total salary compensation for the Defined Contribution Plan that we incurred were approximately 11.1%, 8.5%, 9.1% and 11.3%, respectively.

Reasons for the Non-compliance

We believe this non-compliance incident was mainly because some of our employees declined to make full social insurance contributions based on actual income, for which we would have been required to make matching contributions.

Legal Consequences

As advised by our PRC Legal Adviser, the relevant PRC authorities may notify us that we are required to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to repay the outstanding social insurance contributions within such prescribed period, we may be liable to a fine of one to three times the outstanding contribution.

In the case that we fail to pay the full amount of housing provident funds as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Rectification Actions Taken And Potential Impacts

As of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline, nor were aware of any plan of relevant authorities to collect the outstanding amounts from us. We also had not received any notification from the relevant authorities requiring us to amend our policies or practice regarding our contribution of social insurance premiums and housing provident funds for employees.

We have obtained the written confirmations from competent local authorities in charge of social insurance premiums and housing provident funds in substantially all of the cities where our major operating entities are located, providing that, during the Track Record Period, no administrative penalties had been imposed in connection with the matter of social insurance premiums and housing provident funds.

Also, we have been actively communicating with the relevant local government authorities. We will be making contributions for our employees in a manner as required as soon as practicable once we receive the notification from the relevant government authorities, if any, to require us to make contribution for the outstanding amounts or to amend our policies or practice in this regard, so that we will not receive administrative punishment from the relevant government authorities due to the failure of making the contributions in time. We have reviewed and improved our practice. As of the Latest Practicable Date, except for those newly recruited employees for whom the registration of social insurance premiums and housing provident funds contribution had not been completed and those employees with whom the employment relationship was terminated (as such the contribution of social insurance premiums and housing provident funds in current month for these people was not possible), we had completed the registration procedures for our current employees in connection with the contribution of social insurance premiums and housing provident funds as practicably possible, and were in the process of rectifying the contribution for them. Moreover, we have been actively communicating with our employees to obtain their consent for a full contribution of their respective social insurance premiums and housing provident funds.

We were also not aware of any employee's complaints or demands for payment of social insurance premium or housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard.

We have also received the confirmations from Mr. Yu, our Controlling Shareholder, and Ms. Xu Yanlin dated March 9, 2022, undertaking that in case that our Company incurs economic losses if it is required by the relevant government authorities to make full repayment of the outstanding amounts and/or pay relevant penalties, they will indemnify the Company for such payments so that the Company will not suffer from economic losses in this regard.

Based on the above-mentioned confirmations and undertakings, as well as the interviews conducted with the relevant government authorities which encompassed material geographical locations of our Group's operations, our PRC Legal Adviser is of the opinion that, assuming there is no material change to current laws and regulations and the practice in policy execution and inspection of local governments in connection with this matter, the likelihood that our Group would be required overall by relevant authorities to pay the entire shortfall for social insurance and housing provident fund contributions so that we are subject to material administrative penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote. Moreover, based on the confirmations and facts described above and on the basis that there is no material change to the relevant laws and regulations and the local governments' practice on social insurance premium or housing provident fund contribution, our PRC Legal Adviser is of the opinion the risks that this non-compliance incident will cause actual material losses to us is remote.

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 housing 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. We also intend to engage an external law firm to provide compliance trainings to the responsible administrative staff on the updates of the relevant laws and regulations on an on-going basis. Our Directors believe that our enhanced internal control measures are sufficient and effective for our current operations.

Based on the above-mentioned rectification measures we have adopted, the opinions from our PRC Legal Adviser, the confirmations we obtained from the competent government authorities as well as the undertakings from our Controlling Shareholders, we have made provisions in connection with the underpaid social insurance premiums and housing provident funds in the amount of RMB24.5 million, RMB13.8 million, RMB12.8 million and RMB5.9 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. Based on the confirmations and facts described above, the advice from our PRC Legal Adviser and the enhanced internal control measures we have implemented, our Directors are of the opinion that this non-compliance incident will not have a material adverse impact on our business operations or financial condition as a whole.

Engaging Third-party Human Resource Agency to Pay Social Insurance Premiums and Housing Provident Funds

During the Track Record Period, certain of our PRC subsidiaries engaged third-party human resource agency to pay social insurance premium and housing provident funds for certain of our employees in certain location where they work. Such arrangements, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations.

Pursuant to the arrangements between the relevant subsidiaries and such third-party human resource agency, the human resource agency is required to pay social insurance premiums and housing provident funds for our relevant employees in a timely manner. The third-party human resource agency has confirmed in writing that it has paid such contributions according to our agreements.

Reasons for the Non-compliance

The incidents happened primarily because (i) certain of our subsidiaries that enter into employment contracts with such employees have their registered addresses in cities that are different from where these employees actually worked, hence not being able to pay social insurance premiums or housing provident funds for them locally, or (ii) such employees worked in a number of cities across the nation where we do not have established subsidiaries to pay social insurance premiums or housing provident funds for them locally.

Legal Consequences

Despite the agreements between us and the third-party human resource agency, if such agency fails to pay the social insurance premiums or housing provident funds for and on behalf of our employees as they agreed or if such arrangements are challenged by government authorities, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. Please refer to "— Failure to make full contribution to social insurance premiums and housing provident funds for all employees — Legal Consequences" above for a detailed discussion of potential penalty we may be subject to.

Rectification Actions Taken and Potential Impacts

As of the Latest Practicable Date, neither of the relevant subsidiaries had been subject to any administrative penalty or received labor arbitration notices from any of their employees in relation to such agency arrangements.

We have obtained confirmations from the competent local authorities in charge of social insurance premiums and housing provident funds in substantially all of the cities where our major operating entities are located, confirming that, during the Track Record Period, no administrative penalties had been imposed us in connection with the matter of social insurance premiums and housing provident funds. In addition, we have also received the confirmations from Mr. Yu, our Controlling Shareholder, and Ms. Xu Yanlin dated March 9, 2022, undertaking that in case that our Company incurs economic losses if it is required by the relevant government authorities to pay relevant penalties due to the above-mentioned agency arrangements, they will indemnify our Company for such payments so that our Company will not suffer from economic losses in this regard. Based on the confirmations and facts described above and on the basis that there is no material change to the relevant laws and regulations and the local governments' practice on social insurance premiums or housing provident fund contribution, our PRC Legal Adviser is of the opinion the risks that this non-compliance incident will cause actual material losses to us is remote.

We have reviewed our practice and adopted various remedial measures to rectify the non-compliance, including (i) modifying relevant employment contracts and causing the locally registered subsidiaries to enter into the employment contracts with such employees working in the same city; (ii) establishing new subsidiaries in the cities where the above-mentioned employees work and enter into new employment contracts with relevant employees; and (iii) outsourcing a small amount of auxiliary or non-core businesses to third parties.

As advised by our PRC Legal Adviser, on the basis that there is no material change to the relevant laws and regulations and the local governments' practice on social insurance premiums or housing provident fund contribution, considering the facts stated above and the remedial measures we will take to pay social insurance premiums and housing provident funds from our own accounts, the risk of us being subject to material penalties due to the above-mentioned arrangements with third-party human resource agency which cause material adverse effect on our financial condition or results of operations as a whole is remote.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), (i) Mr. Yu will directly hold approximately [**REDACTED**]% of the total issued share capital of our Company; (ii) Hongyuan Shanguo, Hengyili Investment and Huizhi Zhongxiang, which are controlled by Mr. Yu as their (executive) general partner, will directly hold approximately [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively; and (iii) Shenzhen Huilin, which is owned as to 51% by Mr. Yu and 49% by Ms. Xu Yanlin, spouse of Mr. Yu, will directly hold approximately [**REDACTED**]% of the total issued share capital of our Company. In addition, Ms. Xu Yanlin contributed 39% of the capital of Hengyili Investment and 29.8% of the capital of Hongyuan Shanguo. As such, Mr. Yu will be entitled to exercise or control the exercise of an aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company upon [**REDACTED**]. Mr. Yu, Ms. Xu Yanlin, Hongyuan Shanguo, Hengyili Investment, Huizhi Zhongxiang and Shenzhen Huilin constitute a group of Controlling Shareholders of our Company under the Listing Rules.

Apart from being a Controlling Shareholder, Mr. Yu is also the chairman of our Board and an executive Director and Ms. Xu Yanlin is also an executive Director and the general manager of our Company. For further background details of Mr. Yu and Ms. Xu Yanlin, please see the section headed "Directors, Supervisors and Senior Management — Executive Directors" in this document.

EXCLUDED BUSINESSES

As of the Latest Practicable Date, Mr. Yu (an executive Director, chairman of the Board and a Controlling Shareholder), Mr. Tian Xiqiu (an executive Director) and Ms. Xu Yanlin (an executive Director and a Controlling Shareholder) had material interest in certain companies outside of our Group, details of which are set out below:

Company name	Place of Incorporation	Date of Incorporation	Ownership
1. HongKong Kingo Holdings Limited (香港王品控股有限公司) ("**HongKong Kingo**")	Hong Kong	July 14, 2005	80% by Mr. Yu and 20% by Mr. Tian Xiqiu
2. Wangpin Pagoda Industrial Development (Shenzhen) Co., Ltd.* (王品果業實業發展(深圳)有限公司) ("**Shenzhen Wangpin**")	Shenzhen, PRC	August 19, 2005	wholly owned by HongKong Kingo and ultimately owned as to 80% by Mr. Yu and 20% by Mr. Tian Xiqiu

Company name	Place of Incorporation	Date of Incorporation	Ownership
3. Shenzhen Guodao Yunxin Education Consulting Co., Ltd. (深圳果道耘心教育諮詢有限公司) (formerly known as Shenzhen Guangmingdeng Education Consulting Co., Ltd. (深圳廣明燈教育諮詢有限公司)) ("**Guodao Yunxin**")	Shenzhen, PRC	May 24, 2017	95% by Ms. Xu Yanlin and 5% by Ms. Xie Juan (謝娟), an independent third party

HongKong Kingo is a special purpose vehicle set up by Mr. Yu and Mr. Tian Xiqiu for the sole purpose of investment holding. Since its incorporation and up to the Latest Practicable Date, save for its investment in Shenzhen Wangpin, HongKong Kingo had no actual business operation. Mr. Yu is the director of HongKong Kingo.

Shenzhen Wangpin is a wholly-owned subsidiary of HongKong Kingo. Shenzhen Wangpin was established initially for the operation of wholesale business of fruits and dried fruits. In 2017, Mr. Yu and Mr. Tian Xiqiu ceased the operation of Shenzhen Wangpin's wholesale business of fruits and dried fruits as they decided to devote themselves to our Group's business. Since then, Shenzhen Wangpin has not carried out any active business activities, except lending to independent third parties (the "**Lending**"), and remained inactive up to the Latest Practicable Date. Mr. Tian Xiqiu is the director of Shenzhen Wangpin.

"Wangpin (王品)" is used by HongKong Kingo and Shenzhen Wangpin to name their business entities while our Company registered "王品果業" (Wangpin Guoye) as our Group's trademark and merely used "Wangpin (王品)" to name certain members of our Group that focus on plantation and fruit processing. In addition, as of the Latest Practicable Date, our Company had not used and had no intention to use "Wangpin (王品)" or "王品果業" (Wangpin Guoye) on any of our Group's products or franchise brands. Our Directors are therefore of the view that "Wangpin (王品)" does not have material present commercial value to our Group's business and therefore we have no present intention to register "Wangpin (王品)" as our proprietary interest.

As of the Latest Practicable Date, neither Mr. Yu nor Mr. Tian Xiqiu had any present intention to carry out any business operation through HongKong Kingo or Shenzhen Wangpin (except for the Lending). Further, as HongKong Kingo and Shenzhen Wangpin had no actual business operations and were not compatible with the overall development strategy of our Group, neither Mr. Yu nor Mr. Tian Xiqiu had any intention to inject their respective interest in HongKong Kingo or Shenzhen Wangpin into our Group after the [**REDACTED**].

Guodao Yunxin is principally engaged in the provision of education management consulting services and meeting services whose business model is clearly delineated from our Group's business and is not compatible with the overall development strategy of our Group. Therefore, Ms. Xu Yanlin had no intention to inject her interests in Guodao Yunxin into our Group after the [**REDACTED**].

If our Company is aware of any change in the intention of Mr. Yu, Ms. Xu Yanlin or Mr. Tian Xiqiu in this regard, our Company will make an announcement in accordance with Rule 8.10 of the Listing Rules. Any acquisition by our Group of HongKong Kingo, Shenzhen Wangpin and/or Guodao Yunxin in the future will be subject to compliance with the relevant requirements of the Listing Rules, including without limitation Rule 8.10 and Chapter 14A of the Listing Rules.

Save as disclosed above and in the section headed "Directors, Supervisors and Senior Management" in this document, as of the Latest Practicable Date, none of our Controlling Shareholders or our Directors was engaged or had interest in any business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and/or their respective close associates (the "**Controlling Shareholders Group**") after [**REDACTED**].

Management Independence

The Board comprises five executive Directors, two non-executive Directors and five independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Please see the section headed "Directors, Supervisors and Senior Management" in this document for further details.

As of the Latest Practicable Date, save as disclosed below, none of our Directors or the members of our senior management team holds any position at our Controlling Shareholders Group. Set out below is a table summarizing the positions held by certain Directors at our Company and the Controlling Shareholders Group:

Name	Position with our Company	Position with the Controlling Shareholders Group as of the Latest Practicable Date
Mr. Yu	Chairman of the Board and executive Director	director of HongKong Kingo
Ms. Xu Yanlin	General manager and executive Director	executive director of Guodao Yunxin
Mr. Tian Xiqiu	Vice-chairman of the Board and executive Director	director of Shenzhen Wangpin

Shenzhen Wangpin is an inactive company with no actual business operation (except for the Lending). HongKong Kingo is a special purpose vehicle set up for the sole purpose of investment holding in Shenzhen Wangpin. Further details of Shenzhen Wangpin and HongKong Kingo are set out in the paragraph headed "Excluded Businesses" above. As neither Mr. Yu or Mr. Tian Xiqiu has any present intention to carry out any business activity through Shenzhen Wangpin or HongKong Kingo, Mr. Yu and Mr. Tian Xiqiu's involvement in the management and operation of Shenzhen Wangpin and/or Kingo Holdings (as the case may be) is minimal and they are and will continue to be largely involved in the day-to-day management and operation of our Group.

Guodao Yunxin is a PRC-based limited liability company. Pursuant to the PRC Company Law, a limited liability company of a relatively small size or with a relatively small number of shareholders may have one executive director instead of a board of directors. As Guodao Yunxin is a small-sized limited liability company with only two shareholders and Ms. Xu Yanlin is its sole director, she is named as the executive director pursuant to the PRC Company Law. As such, despite being the executive director, Ms. Xu Yanlin's involvement in the management and operation of Guodao Yunxin is minimal and is limited to giving strategic advice to the overall business operation and development of Guodao Yunxin and Ms. Xie Juan, the general manager of Guodao Yunxin, is responsible for its day-to-day management and operation.

In light of the above, our Directors are of the view that despite the fact that certain of our executive Directors hold certain positions in the Controlling Shareholders Group, these over-lapping executive Directors are and will continue to be largely involved in the day-to-day management and operation of our Group, and in the event that any of the over-lapping executive Directors is required to be absent himself/herself from any board meeting on any matter which may give rise to a potential conflict of interest, our remaining Directors will have sufficient expertise and experience to fully consider such matter.

In addition, our Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors discharge their duties appropriately and safeguard the interests of our Shareholders as a whole. Such control mechanisms are set forth below:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at that particular Board meeting. Further, when considering connected transactions, our independent non-executive Directors will review the relevant transactions; and

(b) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Controlling Shareholders Group. They will bring independent judgment to the decision-making process of the Board.

Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to ensure the proper function of the Board.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently and are of the view that we are capable of managing our business independently from the Controlling Shareholders Group after [**REDACTED**].

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the [**REDACTED**], we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital and employees to operate our business independently from the Controlling Shareholders Group.

We have established our own organizational structure with independent departments and business units, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are running independently of the Controlling Shareholders Group.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers and internal referrals.

Save for the continuing connected transactions set out in the section headed "Continuing Connected Transactions" in this document, our Directors do not expect that there will be any other transactions between our Group and our Controlling Shareholders Group upon or shortly after the [**REDACTED**].

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group had our own internal control, accounting and financial management system, accounting and finance department independent treasury functions for cash receipts and payment and we made financial decisions according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, we entered into various facility agreements or standalone loan agreements with certain banks ("**Lending Banks**"), pursuant to which our Company or other eligible member of the Group borrowed short-term loans from these banks which were secured by personal guarantees provided by our Controlling Shareholders, Mr. Yu and Ms. Xu Yanlin. These short-term loans were generally used for the turnover of our working capital, procurement of raw materials, and/or other financial needs in the ordinary and usual course of our business operation. As of the Latest Practicable Date, all the guarantees provided by our Controlling Shareholders to our Group were released upon maturity of respective loan or will be released prior to [**REDACTED**] as agreed by relevant banks.

Save as disclosed above, we confirm that there is no other financial assistance provided by our Controlling Shareholders Group to our Group and *vice versa*.

Our Directors believe that we are capable of obtaining financing from external sources without reliance on the Controlling Shareholders. In addition, our Group has developed long term stable relationship with various banks to support our business operation and expansion.

Based on the above, our Directors believe that we have the ability to operate independently of the Controlling Shareholders Group from a financial perspective and are able to maintain financial independence from the Controlling Shareholders Group.

NON-COMPETITION UNDERTAKINGS

Non-competition Undertaking by Mr. Tian Xiqiu

Our Company (for itself and as trustee for its subsidiaries) and Mr. Tian Xiqiu entered into a non-competition deed on [●] (the "**Deed of Non-Competition I**"), pursuant to which, among other things, Mr. Tian Xiqiu has unconditionally and irrevocably undertaken that in the event that he intends to dispose of any part or all his interests in HongKong Kingo (the "**Excluded Interests I**"), he shall first offer to our Company the right to acquire such part or all of the Excluded Interests I (the "**Right of First Refusal I**"). Mr. Tian Xiqiu may only proceed with such disposal on terms not more favorable than those offered to our Company following the refusal of such offer by our Company.

The exercise of the Right of First Refusal I by our Company is subject to (i) the memorandum and articles of association of HongKong Kingo; (ii) any rights of other shareholders of HongKong Kingo that existed before the entering into of the Deed of Non-Competition I; (iii) all necessary governmental approvals, permission, consent, filing or waiver from the relevant third parties (where applicable); and (iv) all applicable laws, rules and regulations (including but not limited to the Listing Rules).

Mr. Tian Xiqiu has unconditionally and irrevocably undertaken that he shall dispose of all his interests in HongKong Kingo (where applicable) in the event that HongKong Kingo or its subsidiaries (if any) carries out business that, in the view of our independent non-executive Directors, competes or is likely to compete with the business of our Group.

In addition, Mr. Tian Xiqiu has undertaken to our Company (for itself and as trustee for its subsidiaries) that during the effective period of the Deed of Non-Competition I:

- upon our request, he will, and will procure his close associates (excluding members of our Group) to provide us with all necessary information for the implementation of the undertakings contained in the Deed of Non-Competition I;

- he will allow our authorized representatives or our auditors to have reasonable access to the financial and corporate information necessary to assess his transactions with third parties, which would assist with our judgments in respect of whether Mr. Tian Xiqiu or his close associates (excluding members of our Group) have complied with the undertakings contained in the Deed of Non-Competition I; and

- he will ensure that within ten (10) days after the receipt of our written request, necessary written confirmation will be made as to the performance by him or his close associates (excluding members of our Group) under the undertakings contained in the Deed of Non-Competition I and he or his close associates (excluding members of our Group) shall allow such confirmation to be included into our annual reports.

Pursuant to the Deed of Non-Competition I, the above restrictions would only cease to have effect upon the earlier of: (i) our H Shares ceasing to be [**REDACTED**] on [**REDACTED**]; and (ii) so far as a Director is concerned, he ceases to be a Director of our Company.

Non-competition Undertaking by Controlling Shareholders

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders (namely Mr. Yu and Ms. Xu Yanlin), Mr. Yu and Ms. Xu Yanlin entered into a deed of non-competition on [●] in favor of our Company (for itself and as trustee for its subsidiaries) (the "**Deed of Non-Competition II**", together with the Deed of Non-competition I, the "**Deeds of Non-Competition**") pursuant to which, among other things, each of Mr. Yu and Ms. Xu Yanlin has unconditionally and irrevocably undertaken that,

- other than interests held in our Group and interests held or investment made through our Group, he/she will not and will procure that his/her close associates (excluding members of our Group) will not, directly or indirectly, whether as principal or agent, either on his/her own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition with the business of any member of our Group from time to time (the "**Restricted Business**");

- the aforementioned undertaking does not apply where Mr. Yu and/or Ms. Xu Yanlin and their respective close associates do not individually and in aggregate hold or control, directly or indirectly, the voting rights in respect of 10% or more of the issued share capital of the same class in any company that is engaged in the Restricted Business and is not able to control the board of such company; and

- in the event he/she intends to dispose of any or part of all his/her interests in HongKong Kingo or Guodao Yunxin (as the case may be) (the "**Excluded Interests II**"), he/she shall first offer to our Company the right to acquire such part of or all of the Excluded Interests II (the "**Right of First Refusal II**"). Mr. Yu and Ms. Xu Yanlin may only proceed with such disposal on terms not more favorable than those offered to our Company following the refusal of such offer by our Company. The exercise of the Right of First Refusal II by our Company is subject to (i) the memorandum and/or articles of association of HongKong Kingo and Guodao Yunxin (as the case may be), (ii) any rights of other shareholders of HongKong Kingo or Guodao Yunxin (as the case may be) that existed before the entering into of the Deed of Non-Competition II; (iii) all necessary governmental approvals, permission, consent, filing or waiver from the relevant third parties (where applicable); and (iv) all applicable laws, rules and regulations (including but not limited to the Listing Rules).

Each of Mr. Yu and Ms. Xu Yanlin has unconditionally and irrevocably undertaken to our Company (for itself and as trustee for its subsidiaries) that, during the effective period of the Deed of Non-Competition II, if Mr. Yu, Ms. Xu Yanlin and/or any of their close associates (excluding members of our Group) become aware of, notice, are recommended or provided with any new business opportunities which will directly or indirectly compete or is likely to compete with the Restricted Business, including but not limited to the opportunities which are the same with or similar to the Restricted Business (the "**New Business Opportunity(ies)**"), Mr. Yu and/or Ms. Xu Yanlin shall, and shall procure his/her close associates (excluding members of our Group), to procure such New Business Opportunity(ies) that Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group) identifies or proposes or that is offered or presented to Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group) by a third party, shall be first referred or recommended to our Group in accordance with the Deed of Non-Competition II and subject to relevant laws, requirements or contractual arrangements with third parties:

- Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group) shall as soon as reasonably practicable, and procure his/her close associates (excluding members of our Group) as soon as reasonably practicable, once became aware of the New Business Opportunity(ies), provide us with a written notification which includes all reasonable and necessary information known by Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group) (including the nature of the New Business Opportunity(ies) and necessary information relating to the cost of relevant investment or acquisition) for us to consider whether the New Business Opportunity(ies) would constitute competition or potential competition to the Restricted Business and whether engaging in such New Business Opportunity(ies) would be in the best interests of our Group and our Shareholders as a whole (the "**Offer Notice**"); and

- we shall as soon as possible and in any case within thirty (30) days after the receipt of the Offer Notice respond to Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group). If we determine to take up the New Business Opportunity(ies), Mr. Yu, Ms. Xu Yanlin or his/her close associates (excluding members of our Group) would be obliged to offer such New Business Opportunity(ies) to us.

In addition, each of Mr. Yu and Ms. Xu Yanlin has undertaken to our Company (for itself and as trustee for its subsidiaries) that during the effective period of the Deed of Non-Competition II:

- upon our request, he/she will, and will procure his/her close associates (excluding members of our Group) to provide us with all necessary information for the implementation of the undertakings contained in the Deed of Non-Competition II;

- he/she will allow our authorized representatives or our auditors to have reasonable access to the financial and corporate information necessary to assess their transactions with third parties, which would assist with our judgments in respect of whether he/she or his/her close associates (excluding members of our Group) have complied with the undertakings contained in the Deed of Non-Competition II; and

- he/she will ensure that within ten (10) days after the receipt of our written request, necessary written confirmation will be made as to the performance by him/her or his/her close associates (excluding members of our Group) under the undertakings contained in the Deed of Non-Competition II and he/she or his/her close associates (excluding members of our Group) shall allow such confirmation to be included into our annual reports.

Pursuant to the Deed of Non-Competition II, the above restrictions would only cease to have effect upon the earlier of: (i) our H Shares ceasing to be [**REDACTED**] on [**REDACTED**]; and (ii) so far as a Controlling Shareholder is concerned, he/she ceases to be a Controlling Shareholder of our Company.

In order to promote good corporate governance practices and to improve transparency, the Deeds of Non-Competition include the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deeds of Non-Competition by Mr. Tian Xiqiu, Mr. Yu and Ms. Xu Yanlin (as the case may be);

- each of Mr. Tian Xiqiu, Mr. Yu and Ms. Xu Yanlin has undertaken to us that he/she will provide and procure his/her close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deeds of Non-Competition;

- we will disclose the decisions on matters reviewed by the independent non-executive Directors (including the reasons for not taking up the New Business Opportunities referred to our Company or not exercise the Right of First Refusal I/ Right of First Refusal II (as the case may be)) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deeds of Non-Competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;

- each of Mr. Tian Xiqiu, Mr. Yu and Ms. Xu Yanlin will make an annual declaration in our annual report on the compliance with the Deeds of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report; and

- in the event that any of our Directors and/or their respective close associates (excluding members of our Group) has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deeds of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association;

With respect to the Right of First Refusal I and the Right of First Refusal II,

- the decision for exercise or non-exercise of the Right of First Refusal I and the Right of First Refusal II (as the case may be) shall be determined by our independent non-executive Directors by majority vote only;

- in assessing whether or not to exercise the Right of First Refusal I and the Right of First Refusal II (as the case may be), our independent non-executive Directors will take into account business development needs, the prospects and profitability and other factors as they deem appropriate to form their views based on the best interest of our Company and Shareholders as a whole;

- our independent non-executive Directors are entitled to engage professional advisers when they deem necessary and appropriate at the cost of our Company for external professional advice on matters relating to the Right of First Refusal I or the Right of First Refusal II (as the case may be); and

- our Company will make an announcement to disclose the decision, with basis, of our independent non-executive Directors on whether to pursue or decline with the exercise of the Right of First Refusal I and the Right of First Refusal II (as the case may be).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest after [**REDACTED**]. In particular, we will implement the following measures:

(a) the independent non-executive Directors will review, at least on an annual basis, the compliance by Mr. Yu, Ms. Xu Yanlin and Mr. Tian Xiqiu with the Deeds of Non-Competition;

(b) as part of our preparation for [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or any of his/her close associates has a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(d) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed five independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they 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 [**REDACTED**] Shareholders. Details of our independent non-executive Directors are set out in "Directors, Supervisors and Senior Management — Directors — Independent Non-executive Directors";

(e) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements; and

(f) we have appointed Somerley 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.

Further, any transaction that is proposed between our Company and the Controlling Shareholders and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the annual reporting, announcement, circular and independent Shareholders' approval requirements.

CONTINUING CONNECTED TRANSACTIONS

Upon [**REDACTED**], the transactions disclosed under this section will constitute continuing connected transactions under the Listing Rules pursuant to Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The following entities/persons with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected Persons	Connected Relationship
Mr. Yu Jie (余傑)	nephew of Mr. Yu, an executive Director and a Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Yu and our connected person
Mr. Yu Hang (余杭)	nephew of Mr. Yu, an executive Director and a Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Yu and our connected person
Ms. Deng Lirong (鄧利蓉)	sister-in-law of Mr. Tao Jun (陶軍), a director of Haiyang Jinchengtai, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Tao Jun and our connected person
Mr. Deng Lisong (鄧利松)	brother-in-law of Mr. Tao Jun (陶軍), a director of Haiyang Jinchengtai, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Tao Jun and our connected person
Ms. Xu Yanlin (徐艷林)	director and a controlling shareholder of our Company and hence our connected person
Shenzhen Guodao Yunxin Education Consulting Co., Ltd. (深圳果道耘心教育諮詢有限公司) (formerly known as Shenzhen Guangmingdeng Education Consulting Co., Ltd. (深圳光明燈教育諮詢有限公司)) ("**Guodao Yunxin**")	a limited liability company established in the PRC with Ms. Xu Yanlin holding and controlling the exercise of 95% of the voting power at its general meeting, hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Xu Yanlin and our connected person
Ms. Fong Shun Chun (方舜真)	director of Haiyang Jinchengtai and hence our connected person

Connected Persons	Connected Relationship
Mr. Sin Kei Kau (單基球)	spouse of Ms. Fong Shun Chun and hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Fong Shun Chun and our connected person
Shing Kee Lan Co., Ltd. (成記欄有限公司) ("**Shing Kee Lan**")	a limited liability company established in Hong Kong, with each of Ms. Fong Shun Chun and Mr. Sin Kei Kau controlling the exercise of 50% of the voting power at its general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Fong Shun Chun and Mr. Sin Kei Kau and our connected person
FRECO Asia Co., Ltd. ("**FRECO**")	a limited liability company established in Thailand, with Ms. Fong Shun Chun controlling the exercise of 49% of the voting power at its general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Fong Shun Chun and our connected person
Century Global PTE Ltd. ("**Century Global**")	a limited liability company established in Singapore, with Mr. Sin Kei Kau controlling the exercise of 50% of the voting power at its general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Sin Kei Kau and our connected person
Shandong Liangzhi Agricultural Technology Co., Ltd. (山東良枝農業科技有限公司) ("**Shandong Liangzhi**")	a limited liability company established in the PRC, with Ms. Fong Shun Chun controlling the exercise of 55% of the voting power at its general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Fong Shun Chun and our connected person
Shandong Huiguo Agricultural Development Co., Ltd. (山東匯果農業發展有限公司) (formerly known as Penglai Huiguo Agricultural Development Co., Ltd. (蓬萊市匯果農業發展有限公司)) ("**Shandong Huiguo**")	a limited liability company established in the PRC, with Mr. Sin Kei Kau controlling the exercise of 35% of the voting power at its general meetings, hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Sin Kei Kau and our connected person

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Franchise Framework Agreements with Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong

Our Company (for itself and as trustee for its subsidiaries) (as the franchisor) entered into a franchise framework agreement with each of Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong (each, as the franchisee) on [●], pursuant to which we agree to grant a right and license to Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong (each, as the franchisee), respectively, to operate business of sales of fruits under the brand "Pagoda (百果園)" at specified premises as stipulated in such franchise framework agreement in strict accordance with the system developed and rules implemented by our Company. Under the respective franchise framework agreement, the total transaction amount payable to our Company is consisted of (i) a franchising and royalty income which includes an initial franchise fee of RMB30,000 and a royalty fee which is payable on a monthly basis, (ii) cash deposits of RMB10,000 as one-off performance bond for each franchised store (which might be returned to relevant franchisee after deducting payables as agreed), and (iii) an aggregate sales amount in relation to our Group's sale of designated fruit products relevant franchisee. Each of the franchise framework agreements will terminate on [December 31, 2024] unless renewed otherwise. The franchise framework agreements are entered into in the ordinary and usual course of business of our Group. These transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Historical figures

The total transaction amount paid by Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong to our Group during the Track Record Period are set out below:

		Year ended December 31,			Six months ended June 30,
		2019	2020	2021	2022
		(RMB)			
Mr. Yu Jie	Franchising and royalty income	79,707	125,105	139,954	72,434
	Cash deposits[Note]	135,000	Nil	Nil	Nil
	Sales amount	2,700,468	4,257,086	6,870,239	3,912,911
	Total	2,915,175	4,382,191	7,010,193	3,985,345
Mr. Yu Hang	Franchising and royalty income	8,247	33,734	42,407	22,252
	Cash deposits[Note]	Nil	Nil	Nil	Nil
	Sales amount	2,640,685	3,060,085	3,951,385	1,891,322
	Total	2,648,932	3,093,819	3,993,792	1,913,574

		Year ended December 31,			Six months ended June 30,
		2019	2020	2021	2022
		(RMB)			
Mr. Deng Lisong .	Franchising and royalty income	109,333	69,781	75,722	46,466
	Cash deposits[Note]	25,000	Nil	Nil	Nil
	Sales amount	3,172,651	2,984,158	3,271,861	1,807,810
	Total	3,306,984	3,053,939	3,347,583	1,854,276
Ms. Deng Lirong .	Franchising and royalty income	Nil	Nil	21,678	11,051
	Cash deposits[Note]	Nil	Nil	10,000	Nil
	Sales amount	Nil	Nil	258,939	1,042,477
	Total	Nil	Nil	290,617	1,053,528

Note: Such cash deposits include (i) RMB10,000 as one-off performance bond paid by relevant franchisee to our Company for each franchised store for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, and (ii) RMB20,000 as one-off operation bond paid by relevant franchisee to our Company for each franchised store for the two years ended December 31, 2019 and 2020, where applicable. From 2021, our Company no longer requires its franchisees to pay cash deposits as operation bond.

Annual Caps

The maximum total transaction amount payable by Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong to our Group for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

		Proposed Annual Cap for the year ending December 31,		
		2022	2023	2024
		(RMB)		
Mr. Yu Jie	Franchising and royalty income	[150,000]	[159,000]	[165,000]
	Cash deposits	[Nil]	[Nil]	[Nil]
	Sales amount	[7,420,000]	[7,760,000]	[7,980,000]
	Total	[7,570,000]	[7,919,000]	[8,145,000]
Mr. Yu Hang	Franchising and royalty income	[50,000]	[55,000]	[60,000]
	Cash deposits	[Nil]	[Nil]	[Nil]
	Sales amount	[4,190,000]	[4,320,000]	[4,450,000]
	Total	[4,240,000]	[4,375,000]	[4,510,000]
Mr. Deng Lisong	Franchising and royalty income	[100,000]	[110,000]	[120,000]
	Cash deposits	[Nil]	[Nil]	[Nil]
	Sales amount	[3,470,000]	[3,570,000]	[3,680,000]
	Total	[3,570,000]	[3,680,000]	[3,800,000]

		Proposed Annual Cap for the year ending December 31,		
		2022	2023	2024
			(RMB)	
Ms. Deng Lirong	Franchising and royalty income	[10,000]	[12,000]	[15,000]
	Cash deposits	[Nil]	[Nil]	[Nil]
	Sales amount	[1,790,000]	[1,970,000]	[2,090,000]
	Total	[1,800,000]	[1,982,000]	[2,105,000]

Basis of Annual Caps

In determining the above annual caps, our Directors have considered the historical figures and the potential increase in procurement volume of all franchised stores operated by each of Mr. Yu Jie, Mr. Yu Hang, Mr. Deng Lisong and Ms. Deng Lirong.

Listing Rules Implications

Since all the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transaction amount fees payable under each of the above-mentioned franchise framework agreements are expected to be less than 0.1%, the transactions contemplated under the respective franchise framework agreement above therefore constitute *de minimis* transactions which will be exempted from the annual reporting, announcement, circular and independent shareholder's approval requirements under Rule 14A.76(1) of the Listing Rules.

2. Transactions with Guodao Yunxin

(a) Service Framework Agreement with Guodao Yunxin

Our Company (for itself and as trustee for its subsidiaries) (as the customer) entered into a service framework agreement with Guodao Yunxin (as the supplier) on [●] (the "**Service Framework Agreement**"), pursuant to which we agree to procure certain consulting and training services with respect to, among others, corporate culture and team building, from Guodao Yunxin. Under the Service Framework Agreement, our Group shall pay to Guodao Yunxin service fees for its provision of consulting and training services to our Group. The Service Framework Agreement will terminate on [December 31, 2024] unless renewed otherwise. The transactions under the Service Framework Agreement are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

For the three years ended December 2019, 2020 and 2021 and the six months ended June 30, 2022, the total service fees incurred amounted to RMB237,264, Nil, RMB125,743 and RMB33,906, respectively. Our Directors estimate that for the years ending December 31, 2022, 2023 and 2024, the maximum service fees payable by our Group to Guodao Yunxin will not exceed RMB[100,000], RMB[100,000] and RMB[100,000], respectively. In determining the aforementioned annual caps, our Directors have considered the historical service fees and the continuous needs of our Group for such consulting and training services. Further, our Directors also have considered that as our Company is gradually building up its own internal culture training, it is expected that our Group's needs for such external consulting and training services will be decreased and limited to the extent necessary.

(b) Products Supply Framework Agreement with Guodao Yunxin

Our Company (for itself and as trustee for its subsidiaries) (as the supplier) entered into a products supply framework agreement with Guodao Yunxin (as the customer) on [●] (the "**Products Supply Framework Agreement**"), pursuant to which we agree to supply certain quality fresh groceries and designated fruits to Guodao Yunxin. Under the Products Supply Framework Agreement, Guodao Yunxin shall pay to our Group for our supply of such quality fresh groceries and designated fruits to it. The Products Supply Framework Agreement will terminate on [December 31, 2024] unless renewed otherwise. The transactions under the Products Supply Framework Agreement are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole. For the three years ended December 2019, 2020 and 2021 and the six months ended June 30, 2022, the total transaction amount incurred amounted to RMB18,302, RMB26,761, RMB40,173 and RMB5,430, respectively. Our Directors estimate that for the years ending December 31, 2022, 2023 and 2024, the maximum transaction amount payable by Guodao Yunxin to our Group will not exceed RMB[45,000], RMB[50,000] and RMB[55,000]. In determining the aforementioned annual caps, our Directors have considered the historical amount and the continuous needs of Guodao Yunxin for our quality fresh groceries and designated fruits.

Since both Service Framework Agreement and Products Supply Framework Agreement are connected with Guodao Yunxin, our Directors consider that the transactions thereunder shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82(1) of the Listing Rules. Accordingly, the annual caps in respect of the transactions contemplated under the Service Framework Agreement and Products Supply Framework Agreement are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since all the applicable ratios (other than the profits ratio) under the Listing Rules in respect of the total amount payable under the Service Framework Agreement and the Products Supply Framework Agreement are expected to be less than 0.1%, the transactions contemplated thereunder therefore constitute *de minimis* transactions which will be exempted from the annual reporting, announcement, circular and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Transactions with associates of Ms. Fong Shun Chun and/or Mr. Sin Kei Kau

(a) Sales Framework Agreements with FRECO, Century Global and Shing Kee Lan

Principal terms: . . . Our Company (for itself and as trustee for its subsidiaries) (as the supplier) entered into a sales framework agreement with each of FRECO, Century Global and Shing Kee Lan (each, as the customer) on [●] (collectively, the "**Sales Framework Agreements**"), pursuant to which we agree to supply designated fruits to each of FRECO, Century Global and Shing Kee Lan on substantially the same terms.

Each of the Sales Framework Agreements will terminate on [December 31, 2024] unless renewed otherwise.

Pricing policy: . . . . The selling price of the designated fruits by our Group to each of FRECO, Century Global and Shing Kee Lan shall be determined on an arm's length basis with reference to (i) the average selling price of products of comparable nature and scale and accepted by an independent third party within the 12-month period prior to relevant transaction; (ii) where there is no such average selling price available, any most recent available selling price of products of comparable nature and scale offered by our Group and accepted by an independent third party; or (iii) prevailing market selling price of products of comparable nature and scale, which should be in any event no less favorable to our Group than that is available to independent third parties. Our Directors are of the view that the transactions are conducted on normal commercial terms are in the interests of our Company and our Shareholders as a whole.

Reasons for the transaction: . . . . . FRECO, Century Global and Shing Kee Lan are long term and/or reliable customers of Haiyang Jinchengtai, which became a wholly-owned subsidiary of our Company in March 2019. Haiyang Jinchengtai had a business relationship with FRECO, Century Global and Shing Kee Lan of more than five, 20 and 22 years, respectively. FRECO is an import-and-export trader of fruits in Thailand with an established network of customers in Thailand. Century Global is a certified distributor of quality fruits in Singapore with a local distribution network. Shing Kee Lan is one of the importers of fresh and fruit products in Hong Kong with local customer base. Our Directors consider that our continuous business relationship with each of FRECO, Century Global and Shing Kee Lan is beneficial to our Group in terms of our further expansion of customer and revenue base in these overseas markets.

Historical figures:. . The total transaction amount incurred in relation to sales of designated fruits by Haiyang Jinchengtai and our Company to each of FRECO, Century Global and Shing Kee Lan during the Track Record Period are set out below:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB)			
FRECO	1,047,651	539,022	656,205	Nil
Century Global. . . .	4,094,444	3,126,952	2,242,110	1,327,846
Shing Kee Lan. . . .	29,359,003	31,457,742	35,807,344	16,882,592
Total	34,501,098	35,123,716	38,705,659	18,210,438

Note: Our Company acquired all equity interests of Haiyang Jinchengtai in March 2019, as a result of which, Haiyang Jinchengtai became our wholly-owned subsidiary and its transactions with associates of its directors would therefore constitute connected transactions under the Listing Rules.

Annual Caps: . . . . . The maximum aggregate annual sales amount payable by each of FRECO, Century Global and Shing Kee Lan to our Group for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending December 31,		
	2022	2023	2024
	(RMB)		
FRECO.	[500,000]	[1,000,000]	[1,200,000]
Century Global	[3,000,000]	[3,500,000]	[3,800,000]
Shing Kee Lan	[35,000,000]	[42,000,000]	[44,000,000]
Total.	[38,500,000]	[46,500,000]	[49,000,000]

Basis of Annual Caps:. . . . . In determining the above annual caps, our Directors have considered the historical sales amount, the potential increase in sales volume to each of FRECO, Century Global and Shing Kee Lan on the assumption that they will continue to expand their business.

(b) Procurement Framework Agreements with Shandong Huiguo and Shandong Liangzhi

Principal terms: . . . Our Company (for itself and as trustee for its subsidiaries) (as the customer) entered into a procurement agreement with each of Shandong Huiguo and Shandong Liangzhi (each, as the supplier) on [●] (collectively, the "**Procurement Framework Agreements**"), pursuant to which we agree to procure certain fruits from Shandong Huiguo and Shandong Liangzhi, respectively, on substantially the same terms.

Each of the Procurement Framework Agreements will terminate on [December 31, 2024] unless renewed otherwise.

Pricing policy: . . . . The purchasing price of the designated fruits procured by our Group from each of Shandong Huiguo and Shandong Liangzhi shall be determined on arm's length basis with reference to (i) the average selling price of products of comparable nature and scale and offered by an independent third party and accepted by us within the 12-month period prior to relevant transaction; (ii) where there is no such average selling price available, any most recent available selling price of products of comparable nature and scale offered by an independent third party and accepted by us; or (iii) prevailing market selling price of products of comparable nature and scale, which should be in any event no less favorable to our Group than is available to independent third parties. Our Directors are of the view that the transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Reasons for the transaction: . . . . . Both Shandong Huiguo and Shandong Liangzhi are stable and reliable suppliers of our Group. We established business relationship with Shandong Huiguo and Shandong Liangzhi in 2019 and 2018, respectively. In addition, our Directors consider that the quality and quantity of fruit products offered by each of Shandong Huiguo and Shandong Liangzhi can satisfy our commercial needs, especially the quality standards for fruits processing.

Historical figures: . . The total transaction amount incurred in relation to our Group's procurement of designated fruits from each of Shandong Huiguo and Shandong Liangzhi during the Track Record Period are set out below:

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
	(RMB)			
Shandong Huiguo . . .	29,264,548	122,279,754	115,025,967	68,740,666
Shandong Liangzhi . .	21,957,797	31,728,866	35,152,542	23,085,163
Total	51,222,345	154,008,620	150,178,509	91,825,829

Annual Caps: . . . . . The maximum aggregate annual procurement amount payable by our Group to each of Shandong Huiguo and Shandong Liangzhi for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending December 31,		
	2022	2023	2024
	(RMB)		
Shandong Huiguo . . .	[125,000,000]	[130,000,000]	[135,000,000]
Shandong Liangzhi . .	[45,000,000]	[50,000,000]	[55,000,000]
Total	[170,000,000]	[180,000,000]	[190,000,000]

Basis of Annual Caps: . . . . In determining the above annual caps, our Directors have considered the historical procurement amount, the potential increase in our procurement volume due to our business expansion plan.

(c) Supply Framework Agreements with Shandong Huiguo and Shandong Liangzhi

Principal terms: . . . Our Company (for itself and as trustee for its subsidiaries) (as the supplier) entered into a supply framework agreement with each of Shandong Huiguo and Shandong Liangzhi (each, as the customer) on [●] (collectively, the "**Supply Framework Agreements**"), pursuant to which we agree to supply certain quality fresh groceries to Shandong Huiguo and Shandong Liangzhi, respectively, on substantially the same terms.

Each of the Supply Framework Agreements will terminate on [December 31, 2024] unless renewed otherwise.

Pricing policy: . . . . The selling price of the quality fresh groceries by our Group to each of Shandong Huiguo and Shandong Liangzhi shall be determined on arm's length basis with reference to (i) the average selling price of products of comparable nature and scale and accepted by an independent third party within the 12-month period prior to relevant transaction; (ii) where there is no such average selling price available, any most recent available selling price of products of comparable nature and scale offered by our Group and accepted by an independent third party; or (iii) prevailing market selling price of products of comparable nature and scale, which should be in any event no less favourable to our Group than that is available to independent third parties. Our Directors are of the view that the transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Reasons for the transaction: . . . . . Both Shandong Huiguo and Shandong Liangzhi are stable and reliable business partners of our Group. Since 2020, as a result of our continuous efforts to promote our quality fresh grocery business and the trust built up between Shandong Huiguo and Shandong Liangzhi and our Group, we started to supply quality fresh groceries to Shandong Huiguo and Shandong Liangzhi to further strengthen our business relationship with them. Our Directors consider that our Group's supply of quality fresh groceries to Shandong Huiguo and Shandong Liangzhi is beneficial to our Group in terms of our expansion of quality fresh grocery business and maintaining and strengthening our business relationship with quality business partners like Shandong Huiguo and Shandong Liangzhi.

Historical figures: . . The total transaction amount in relation to our Group's supply of quality fresh groceries to each of Shandong Huiguo and Shandong Liangzhi during the Track Record Period are set out below:

	Year ended December 31,			**Six months ended June 30,**
	2019	**2020**	**2021**	**2022**
		(RMB)		
Shandong Huiguo . . .	Nil	Nil	12,811	481,497
Shandong Liangzhi . .	Nil	Nil	1,136,780	257,742
Total	Nil	Nil	1,149,591	739,239

Annual Caps: . . . . . The maximum total annual transaction amount payable by Shandong Huiguo and Shandong Liangzhi to our Group for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

	Year ending December 31,		
	2022	**2023**	**2024**
		(RMB)	
Shandong Huiguo . . .	[800,000]	[800,000]	[800,000]
Shandong Liangzhi . .	[1,300,000]	[1,400,000]	[1,500,000]
Total	[2,100,000]	[2,200,000]	[2,300,000]

Basis of Annual Caps: . . . . In determining the above annual caps, our Directors have considered the historical transaction amount, the potential expansion of our quality fresh grocery business and the increasing needs of Shandong Huiguo and Shandong Liangzhi of our Group's quality fresh groceries on the assumption that they will continue to expand their business.

(d) Factoring Framework Agreements with Shandong Huiguo and Shandong Liangzhi

Principal terms: . . . Our Company (for itself and as trustee for its subsidiaries) (as the service provider) entered into a factoring framework agreement with each of Shandong Huiguo and Shandong Liangzhi (each, as the customer) on [●] (collectively, the "**Factoring Framework Agreements**"), pursuant to which we agree to provide factoring services (including the provision of factoring facility and management of accounts receivables) to each of Shandong Huiguo and Shandong Liangzhi, respectively.

Pursuant to the Factoring Framework Agreements, we will provide a factoring facility to Shandong Huiguo and Shandong Liangzhi, which is payable to us upon maturity.

The interest rate per annum of factoring facility is (i) 12% under the Factoring Framework Agreement with Shandong Huiguo, which is payable to us on monthly basis, and (ii) 9.6% under the Factoring Framework Agreement with Shandong Liangzhi, which is payable to us upon maturity. The interest rate is determined based on arm's length negotiation with reference to the business model of Shandong Huiguo and Shandong Liangzhi, the stability of their cash flow and profitability and our Group's needs for the specific fruit products provided by them. Our Directors consider that (i) Shandong Huiguo as a fruit trading company has relatively stable cash flow and lower costs and therefore its needs for cash is in general for a shorter period, and (ii) Shandong Liangzhi specializes in planting and cultivating limited types of high quality fruits which takes a relatively longer period before it can generate revenue from sale of such fruits, and as a result, Shandong Liangzhi has limited operating cash flow and its needs for cash is in general for a longer period. In light of this, our Company decided to charge Shandong Huiguo and Shandong Liangzhi different interest rates under factoring services provided to them, respectively.

Each of the Factoring Framework Agreements will terminate on [December 31, 2024] unless renewed otherwise.

Pricing policy: . . . . The principal amount of the factoring facility is determined based on arm's length negotiation between the relevant parties with reference to the procurement amount payable by us to each of Shandong Huiguo and Shandong Liangzhi under respective Procurement Framework Agreement. The interest rate payable by Shandong Huiguo and Shandong Liangzhi to our Group for the factoring services provided by our Group under the Factoring Framework Agreements is determined based on arm's length negotiation between relevant parties with reference to the prevailing market interest rate charged by comparable factoring services providers and the interest rate charged by us for the provision of comparable factoring services to an independent third party. Our Directors are of the view that the transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Reasons for the transaction: . . . . . Both Shandong Huiguo and Shandong Liangzhi are stable and reliable suppliers of our Group and to maintain and facilitate a stable business relationship with such quality suppliers, our Directors are of the view that the provision of factoring services would be beneficial to both parties as it allows both parties to better control short-term cash flow risks, diversify finance channels, improve finance structure and build on their development capabilities.

Historical figures: . . The total transaction amount incurred in relation to our Group's provision of factoring services to each of Shandong Huiguo and Shandong Liangzhi during the Track Record Period are set out below:

		Year ended December 31,			Six months ended June 30,
		2019	2020	2021	2022
		(RMB)			
Shandong Huiguo . . .	factoring amount	35,000,000	35,000,000	Nil	Nil
	interest	847,484	2,062,579	1,012,579	Nil
	Sub-total	35,847,484	37,062,579	1,012,579	Nil
Shandong Liangzhi . . .	factoring amount	20,000,000	4,000,000	Nil	Nil
	interest	378,616	755,472	84,528	Nil
	Sub-total	20,378,616	4,755,472	84,528	Nil
Total		56,226,100	41,818,051	1,097,107	Nil

Annual Caps: . . . . . The maximum aggregate annual transaction amount incurred in relation to our Group's provision of factoring services to each of Shandong Huiguo and Shandong Liangzhi for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

		Proposed Annual Cap for the Year ending December 31,		
		2022	2023	2024
		(RMB)		
Shandong Huiguo	factoring amount	[20,000,000]	[20,000,000]	[20,000,000]
	interest	[550,000]	[550,000]	[550,000]
	Sub-total	[20,550,000]	[20,550,000]	[20,550,000]
Shandong Liangzhi . . .	factoring amount	[1,000,000]	[1,000,000]	[1,000,000]
	interest	[15,000]	[15,000]	[15,000]
	Sub-total	[1,015,000]	[1,015,000]	[1,015,000]
Total		[21,565,000]	[21,565,000]	[21,565,000]

Basis of Annual Caps: . . . . In determining the above annual caps, our Directors have considered the historical transaction amount, and the factoring amount settled and the cash flow of our Group for the six months ended June 30, 2022 on the assumption that each of Shandong Huiguo and Shandong Liangzhi will continue to expand their business.

(e) Service Framework Agreement with Shandong Huiguo and Shandong Liangzhi

Principal terms: . . . Our Company (for itself and as trustee for its subsidiaries) (as the supplier) entered into a service framework agreement with each of Shandong Huiguo and Shandong Liangzhi (each, as the customer) on [●] (collectively, the "**Service Framework Agreements**"), pursuant to which we agree to provide certain services, including technology support services, quality check services, warehouse and containers rental services, to Shandong Huiguo and Shandong Liangzhi, respectively, on substantially the same terms.

Each of the Service Framework Agreement will terminate on [December 31, 2024] unless renewed otherwise.

Pricing policy: . . . . The pricing of services provided by our Group to each of Shandong Huiguo and Shandong Liangzhi shall be determined on arm's length basis with reference to (i) the average price of services of comparable nature and scale and accepted by an independent third party within 12-month period prior to relevant transaction; (ii) where there is no such average price available, any most recent available price of services of comparable nature and scale offered by our Group and accepted by an independent third party; or (iii) prevailing market price of services of comparable nature and scale, which should be in any event no less favourable to our Group than that is available to independent third parties. Our Directors are of the view that the transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Reasons for the transaction: . . . . . Both Shandong Huiguo and Shandong Liangzhi are stable and reliable business partners of our Group. To maintain and strengthen our Group's business relationship with Shandong Huiguo and Shandong Liangzhi, we started to provide technology support services, quality check services, warehouse and containers rental services to Shandong Huiguo and Shandong Liangzhi to Shandong Huiguo and Shandong Liangzhi. Our Directors consider that our Group's provision of such services to Shandong Huiguo and Shandong Liangzhi is beneficial to our Group in terms of our business relationship with quality business partners like Shandong Huiguo and Shandong Liangzhi.

Historical figures: . . The total transaction amount incurred in relation to our Group's provision of services to each of Shandong Huiguo and Shandong Liangzhi during the Track Record Period are set out below:

	Year ended December 31,			Six months ended June 30,
	2019	**2020**	**2021**	**2022**
		(RMB)		
Shandong Huiguo . .	Nil	35,260	46,308	370
Shandong Liangzhi .	Nil	496,511	18,882	2,399
Total	Nil	531,771	65,190	2,769

Annual Caps: . . . . . The maximum total annual transaction amount payable by Shandong Huiguo and Shandong Liangzhi to our Group for the years ending December 31, 2022, 2023 and 2024, respectively, shall not exceed the caps set out below:

	Year ending December 31,		
	2022	**2023**	**2024**
		(RMB)	
Shandong Huiguo . . .	[50,000]	[55,000]	[60,000]
Shandong Liangzhi . .	[30,000]	[35,000]	[40,000]
Total	[80,000]	[90,000]	[100,000]

Basis of Annual Caps: . . . . In determining the above annual caps, our Directors have considered the historical transaction amount, the increasing needs of Shandong Huiguo and Shandong Liangzhi for our Group's provision of such technology support services, quality check services, warehouse and containers rental services on the assumption that they will continue to expand their business.

Listing Rules Implications

Since (i) FRECO, Century Global, Shing Kee Lan, Shandong Huiguo and Shandong Liangzhi are connected with one another through related parties, namely Ms. Fong Shun Chun and Mr. Sin Kei Kau (spouse of Ms. Fong Shun Chun) and (ii) the provision of the factoring services under the Factoring Framework Agreements are related to the procurement amount in connection with the Procurement Framework Agreements, our Directors consider that the transactions under categories (a), (b), (c), (d) and (e) above shall be aggregated and treated as if they were one transaction pursuant to Rules 14A.81 and 14A.82(1) of the Listing Rules. Accordingly, the annual caps in respect of the transactions contemplated under the Sales Framework Agreements, the Procurement Framework Agreements, the Supply Framework Agreements, the Factoring Framework Agreements and the Service Framework Agreement are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14 of the Listing Rules.

As the highest applicable percentage ratio under all of the above agreements is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated therein will, upon [**REDACTED**], constitute continuing connected transactions of our Company and will be exempted from the circular (including independent financial advice) and independent shareholders' approval requirements, but subject to the annual reporting and announcement requirements under Chapter 14A of the Listing Rules.

THE DIRECTORS' VIEWS

Our Directors (including independent non-executive Directors) are of the view that it is in the interests of our Group to continue with the connected transactions described in this section after [**REDACTED**], and that the transactions have been and will continue to be carried out in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable, and are and will be in the interests of our Company and our Shareholders as a whole. In addition, the proposed annual caps for the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

Based on the data and information provided by the Company, having made reasonable inquiries and after due and careful consideration, the Sole Sponsor is of the view that as of the date of this document, the non-exempt continuing connected transactions described above have been carried out in the ordinary and usual course of business of our Group, on normal commercial terms that are fair and reasonable and in the interests of our Company and its Shareholders as a whole, and that the respective proposed annual caps are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

APPLICATION FOR WAIVER

As described above, we expect the transactions described in "— Non-Exempt Continuing Connected Transactions" to be carried out on a continuing basis and to extend over a period of time. Our Directors therefore consider that strict compliance with the annual reporting, announcement and independent Shareholders' approval requirements under the Listing Rules would be impractical and such requirement will lead to unnecessary administrative costs and create an onerous burden on the Company.

Accordingly, we have applied to the Stock Exchange for[, and the Stock Exchange has granted us], pursuant to Rule 14A.105 of the Listing Rules, a waiver from strict compliance with the annual reporting, announcement, circular and independent Shareholders' approval requirements (as applicable) relating to the continuing connected transactions contemplated under the agreements above and as described in "— Non-Exempt Continuing Connected Transactions".

We will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to the continuing connected transactions.

In the event of any future amendment to the Listing Rules imposing more stringent requirements than those as of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

GENERAL INFORMATION

The following table sets forth the key information about our Directors, supervisors and senior management members as of the date of this document.

Directors

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities
Executive Directors					
Mr. Yu Huiyong (余惠勇)	54	Executive Director and chairman of the Board	December 2001	December 2001	Overseeing the implementation of resolutions of shareholders' meetings and formulating the overall strategies of our Group
Ms. Xu Yanlin (徐豔林)	53	Executive Director	May 2019[1]	August 2002	Overseeing the overall business operation of our Group
Mr. Tian Xiqiu (田錫秋)	48	Executive Director and vice-chairman of the Board	August 2015[2]	December 2001	Assisting in formulating the overall development strategies of our Group
Mr. Jiao Yue (焦岳)	36	Executive Director	May 2019[1]	July 2016	Overseeing the day-to-day business operation of our Group
Mr. Zhu Qidong (朱啟東)	47	Executive Director	May 2019[1]	March 2002	Overseeing the procurement, wholesale and sales of our Group
Non-executive Directors					
Mr. Pan Pan (潘攀)	43	Non-executive Director	August 2015[3]	July 2015	Providing strategic advice and making recommendation on the operation and management of our Company
Mr. Hu Qihao (胡祺昊)	44	Non-executive Director	May 2019[4]	May 2019	Providing strategic advice and making recommendation on the operation and management of our Company

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities
Independent non-executive Directors					
Dr. Jiang Yanbo (蔣岩波).	56	Independent non-executive Director	March 2020	March 2020	Providing independent advice on the operation and management of our Company
Mr. Ma Ruiguang (馬瑞光).	49	Independent non-executive Director	March 2020	March 2020	Providing independent advice on the operation and management of our Company
Dr. Wu Zhanchi (吳戰篪).	47	Independent non-executive Director	March 2020	March 2020	Providing independent advice on the operation and management of our Company
Mr. Cheung Yee Tak Jonathan (張以德).	34	Independent non-executive Director	January 2022	January 2022	Providing independent advice on the operation and management of our Company
Ms. Zhu Fang (朱舫)	66	Independent non-executive Director	December 2020	December 2020	Providing independent advice on the operation and management of our Company

Notes:

(1) Each of Ms. Xu Yanlin, Mr. Jiao Yue and Mr. Zhu Qidong was appointed as a Director in May 2019 and was re-designated as an executive Director in March 2020.

(2) Mr. Tian Xiqiu first joined our Company in December 2001 and served as a Director of our Company from December 2001 to July 2008. Mr. Tian Xiqiu re-joined us in August 2015 as a Director and was re-designated as an executive Director and vice-chairman in March 2020.

(3) Mr. Pan Pan was appointed as a Director in August 2015 and was re-designated as a non-executive Director in March 2020.

(4) Mr. Hu Qihao was appointed as a Director in May 2019 and was re-designated as a non-executive Director in March 2020.

Supervisors

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities
Mr. Yang Xiaohu (楊曉虎)	43	Supervisor and chairman of the supervisory committee	May 2019[(1)]	April 2008	Supervising the performance of duties by the Directors and senior management of our Company
Mr. Zou Feng (鄒峰)	40	Supervisor	March 2020	May 2014	Supervising the performance of duties by the Directors and senior management of our Company
Mr. Su Yan (蘇彥)	40	Supervisor	February 2020	August 2006	Supervising the performance of duties by the Directors and senior management of our Company

Note:

(1) Mr. Yang Xiaohu was appointed as a Supervisor in May 2019 and re-designated as the chairman of the supervisory board in March 2020.

Senior Management

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities
Ms. Xu Yanlin (徐豔林)	53	General manager	January 2009	August 2002	Overseeing the overall business operation of our Group
Mr. Jiao Yue (焦岳)	36	Executive deputy general manager	July 2016	July 2016	Overseeing the day-to-day business operation of our Group
Mr. Zhu Qidong (朱啟東)	47	Deputy general manager	July 2015	March 2002	Overseeing the procurement, wholesale and sales of our Group
Mr. Gong Jianming (龔建明)	53	Deputy general manager	August 2021	June 2016	Overseeing the expansion of our franchise network and the operation of our franchisees

Name	Age	Position(s)	Date of Appointment	Date of joining our Group	Roles and responsibilities
Mr. Xu Yongjian (徐永劍)	51	Deputy general manager	July 2015	July 2015	Overseeing the technology development of our Group
Mr. Lai Hin Yeung (賴顯陽)	37	Deputy general manager and finance director	March 2020(1)	January 2019	Overall financial management of our Group
Ms. Fu Xiaoyan (付小豔)	35	Deputy general manager, secretary of the Board and one of the joint company secretaries	March 2020(2)	July 2018	Executing resolutions of our Board

Notes:

(1) Mr. Lai joined our Company as a senior finance manager in January 2019 and was appointed as the finance director in March 2020 and as a deputy general manager in November 2020.

(2) Ms. Fu joined our Company as a manager in July 2018, and was appointed as secretary of the Board and a joint company secretary in March 2020 and was further appointed as a deputy general manager in November 2020.

Save for that Mr. Yu is the spouse of Ms. Xu, and Ms. Xu is a sister of Mr. Xu Yongjian, none of our Directors, supervisors and senior management members has any relationship with any other Directors, supervisors or senior management members of our Company or any Substantial Shareholders or Controlling Shareholders of our Company.

DIRECTORS

Our Board currently consists of 12 Directors, including five executive Directors, two non-executive Directors and five independent non-executive Directors. Our Board is responsible for and has the general power over the management and operations of our business, including determining our business strategies and investment plans, implementing resolutions passed at our Shareholders' general meetings, and exercising other powers, functions and duties conferred by the Articles of Association.

Pursuant to our Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years which is renewable upon re-election and re-appointment. The functions and powers of our Board include, among other things, convening Shareholders' meetings, reporting on our Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, determining business and investment plans, formulating our annual financial budgets and financial statements, formulating proposals for profit distributions and plans on making up losses, formulating proposals for the increase or reduction of registered capital and issue and listing of bonds or other securities of our Company, formulating proposals for material acquisitions, repurchase of our Company's Shares and merger, division, dissolving and change in corporate form of our Company, deciding on our Company's basic internal management structure, appointing or dismissing our Company's general managers, the secretaries of the Board, chief financial officers or other senior officers, determining their emoluments, rewards and penalties, and establishing the basic management system of our Company. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

Executive Directors

Mr. Yu Huiyong (余惠勇), aged 54, has been an executive Director and the chairman of our Board since the establishment of our Company. He is also one of the founders of our Group. Mr. Yu has about 30 years of experience in the fresh food industry. With his extensive experience, he is principally responsible for overseeing the implementation of general meeting resolutions and formulating the overall strategies of our Group. In addition, Mr. Yu has also been the executive director of certain subsidiaries of our Group, namely Pagoda Brand, Shenzhen Huilin and Shenzhen Sangeling since January 2019, September 2019 and February 2022, respectively. Further, Mr. Yu has also been the chairman of the board of certain subsidiaries of our Group, namely Youguolian, Younongdao and Pagoda Seeds since March 2017, October 2018 and July 2020, respectively.

Mr. Yu had built up extensive experience in the agricultural industry prior to founding our Company. From December 1995 to August 2001, Mr. Yu was a manager at the distribution center of Shenzhen Aidi Green Food Center Co., Ltd.* (深圳市愛地綠色食品總匯有限公司), a company principally engaged in the retail of green food. From July 1991 to April 1994, he was a research fellow in Edible Fungi Institute of Jiangxi Academy of Agricultural Sciences (江西省農業科學院).

In 2016, Mr. Yu was recognized as China Agriculture Leader of the Year 2015 (2015中國年度農業領袖人物) by China Agriculturist Club (中國農業家俱樂部) and Brand Agriculture and Market Magazine (品牌農業與市場雜誌社), and China Fruit Person of the Year 2016 (2016年中國果業年度人物) by China Fruit Marketing Association (中國果品流通協會). In 2017, he was awarded China Chain Store Achievement Award (中國連鎖業成就獎) by China Chain Store & Franchise Association (中國連鎖經營協會) and Guangdong Franchise Leader of Ten Years (廣東特許經營十年領袖人物) by Guangdong Chain Operations Association (廣東省連鎖經營協會). In 2018, he was also conferred China Venture Capital Mangrove Award • Year Innovation Person (中國創投紅樹林獎•年度創新人物) by Chuang Tou Jue Channel (創投決頻道), New Economy (《新經濟》雜誌社), Zhong Guo Gao Xin Ke Ji (《中國高新科技》 雜誌社), Shenzhen Economic Daily (深圳商報), Shenzhen News (深圳新聞網), and China Belt and Road Portal (中國網「一帶一路網」). In 2019, Mr. Yu was granted Outstanding Person for Reform and Opening-up of Forty Years in Fruit Industry (改革開放四十年果品行業傑出人物) by China Fruit Marketing Association and Shenzhen Commerce of Forty Year with Meritorious Services (深圳商業四十年十大功勳人物) by Shenzhen Retail Business Association (深圳市零售商業行業協會), Shenzhen Chain Store & Franchise Association (深圳市連鎖經營協會) and Shenzhen Smart Retail Association (深圳市智慧零售協會).

Mr. Yu received his graduation certificate in horticulture from Jiangxi Agricultural University (江西農業大學), the PRC, in July 1991.

Ms. Xu Yanlin (徐豔林), aged 53, is an executive Director and general manager of our Company. Ms. Xu is principally responsible for overseeing the overall business operation of our Group. Ms. Xu joined our Company in August 2002 as a clerk of the administration department and was promoted to be the general manager of our Company in January 2009.

In addition, Ms. Xu has also been a member of the 6th Chinese People's Political Consultative Conference National Committee of Yantian District, Shenzhen (深圳市鹽田區第6屆政協委員) since October 2021. Since May 2017, Ms. Xu has also been an executive director of Shenzhen Guodao Yunxin Education Consulting Co., Ltd. (深圳果道耘心教育諮詢有限公司), a company principally engaged in the provision of education management consulting services and meeting services, where she is responsible for giving strategic advice, further details of which are set out in the section headed "Relationship with Our Controlling Shareholders."

From June 1989 to September 1997, Ms. Xu worked as an English teacher in Xiangtun School, Dexing City, Shangrao District, Jiangxi Province (江西省上饒地區德興市香屯學校), a public junior high school in China.

Ms. Xu has been granted a number of awards, including the Personal Contribution for Industry Development Award of Year 2015 to 2016 (2015-2016年度支持行業發展個人貢獻獎) and the Extraordinary Contribution Award (2017) (特別貢獻人物獎) by Shenzhen Retail Association and Shenzhen Chain Store & Franchise Association; the Most Influential Female Entrepreneurs Kapok Outstanding Awards in Shenzhen (2018) (首屆深圳最具影響力女企業家深商木棉獎卓越獎) by Shenzhen General Chamber of Commerce (深圳市商業聯合會); the Top 10 China Teaching Entrepreneur (2019) (中國十大教導型企業家) by Chinese Entrepreneur Association Teachings (中國教導型企業家聯合會); Shenzhen Women Entrepreneur Outstanding Awards of Thirty Years (1989-2019) (深圳市女企業家協會三十周年(1989-2019)慶典大會傑出成就獎) by Shenzhen Association of Women Entrepreneurs (深圳市女企業家協會); China Franchise Outstanding Female Golden Peony Award (2019) (中國連鎖業傑出女性金牡丹獎) by China Chain Store & Franchise Association; Industry Achievement Award of Year 2019 (2019產業領袖) by Hurun Report (胡潤百富); and one of the 30 Most Powerful Women of Year 2020 in China (2020年度中國30位最具影響力商界女性) by China Entrepreneur (《中國企業家》).

Ms. Xu received graduate diploma in English from Shangrao Normal University (上饒師範專科學校), the PRC, in July 1989.

Mr. Tian Xiqiu (田錫秋), aged 48, is an executive Director and vice-chairman of our Board. Mr. Tian is principally responsible for assisting in formulating the overall development strategies of our Group. Mr. Tian served as a Director of our Company from December 2001 to July 2008 and re-joined us in August 2015 as a Director. He was re-designated as an executive Director and vice-chairman in March 2020. In addition, since July 2015, Mr. Tian is also the chairman of Jiangxi Wangpin, a subsidiary of our Company, where he is responsible for executing resolutions of general meetings and the board.

In addition to directorship held within our Group, since August 2005, Mr. Tian has been a director of Wangpin Pagoda Industrial Development (Shenzhen) Co., Ltd.* (王品果業實業發展(深圳)有限公司), further details of which are set out in the section headed "Relationship with Our Controlling Shareholders." Prior to re-joining our Group, Mr. Tian operated his own fruits business from July 2008 to August 2015.

Mr. Tian has also been a representative of the 6th People's Congress of Yantian District, Shenzhen (深圳市鹽田區第6屆人民代表大會代表) since September 2021.

Mr. Tian Xiqiu attended courses in business administration at Peking University (北京大學), the PRC, from November 2011 to September 2014.

Mr. Jiao Yue (焦岳), aged 36, is an executive Director and executive deputy general manager of our Company. Mr. Jiao is principally responsible for overseeing the day-to-day business operation of our Group. In addition, since April 2019, Mr. Jiao has been the general manager of Pagoda Xinxiang, where he is responsible for overseeing the overall business operation.

Mr. Jiao also held management positions. From May 2015 to September 2016, Mr. Jiao was the chief executive officer of Juxian (Beijing) Technology Co., Ltd.* (聚鮮(北京)科技有限公司), where he was responsible for overseeing the overall business operation. From April 2011 to May 2015, he was the vice president of Youmeng Tongxin (Beijing) Technology Co., Ltd.* (友盟同欣(北京)科技有限公司), a company principally engaged in the development and promotion of computer software and hardware.

Mr. Jiao received a bachelor's degree in civil engineering from South China University of Technology (華南理工大學), the PRC, in July 2008.

Mr. Zhu Qidong (朱啟東), aged 47, is an executive Director and deputy general manager of our Company. Mr. Zhu is principally responsible for overseeing the procurement, wholesale and sales of our Group. In addition, Mr. Zhu has also been an executive director of certain subsidiaries of our Company, namely Pagoda Investment, Pagoda Supply Chain, Shenzhen Yimiaotong, Shenzhen Yitong, Yuanmou Yuanshengyuan, Hainan Supply Chain, Pagoda Ecological Investment and Baixin Investment since August 2019, December 2018, December 2018, March 2019, May 2020, September 2020, October 2020 and September 2021, respectively. In addition, Mr. Zhu has also been the director of Pagoda Fruit Products and Younongdao since December 2020 and July 2021, respectively. Further, Mr. Zhu has also been the chairman of the board of Pagoda Seeds and Jinnong Supply Chain since July 2020 and May 2021, respectively.

In addition to directorship held in our Company, since October 2019, Mr. Zhu has been a director of Hainan Shengjie Agricultural Development Co., Ltd.* (海南勝傑農業發展有限公司) ("**Hainan Shengjie**"), a company principally engaged in the production, sales and transportation of agricultural products. Since April 2017, Mr. Zhu has been serving as a director of Shanghai Niuguo Agricultural Technology Co., Ltd.* (上海牛果農業科技有限公司) ("**Shanghai Niuguo**"), a company principally engaged in the provision of agriculture food and relevant technology services.

Prior to joining our Group and from September 1999 to November 2001, Mr. Zhu worked as a business manager of Chengdu Tianyi Exhibition Service Co., Ltd.* (成都市天一展覽服務有限公司), where he was responsible for organizing exhibitions and maintaining client relationships.

Mr. Zhu Qidong attended courses in business administration at Peking University (北京大學), the PRC, from April 2016 to July 2018.

Competing interests of Mr. Zhu Qidong

Hainan Shengjie is a PRC-based limited liability company with a focus on the growing business of melons and as of the Latest Practicable Date, was owned as to 30% by our Company, 63% by Mr. Zhang Kuijie (張葵傑) and 7% by two other individuals, who are all independent third parties. Shanghai Niuguo is a PRC-based limited liability company focusing on the avocado ripening and sales and as of the Latest Practicable Date, was owned as to 33.33% by our Company and 33.33% by each of Shanghai Jiyou Agricultural Products Co., Ltd.* (上海集友農產品有限公司) (an agricultural product retailer) and Mission Produce Asia Limited (a high-quality supplier of avocados), who are all independent third parties.

Mr. Zhu is a director nominated by us to sit on the board of Hainan Shengjie and Shanghai Niuguo and his involvement in the management and operation of Hainan Shengjie and Shanghai Niuguo is minimal and is solely limited to advising on the overall business operation and development of Hainan Shengjie and Shanghai Niuguo. Hainan Shengjie is ultimately controlled and managed by Mr. Zhang Kuijie, the single largest shareholder and chairman of the board of Hainan Shengjie. Shanghai Niuguo is ultimately controlled and managed by Mr.

John Jiang Tao Wang, the largest shareholder of Mission Produce Asia Limited, chairman of the board and general manager of Shanghai Niuguo. Mr. Zhu is and will continue to be primarily involved in the day-to-day procurement, wholesale and sales-related matters of our Group.

Non-executive Directors

Mr. Pan Pan (潘攀), aged 43, is a non-executive Director. He is principally responsible for giving strategic advice and making recommendations on the operation and management of our Group.

In addition, Mr. Pan is also the managing partner of Tiantu Center. Since June 2021, Mr. Pan has been a non-executive director of Nayuki Holdings Limited (奈雪的茶控股有限公司), a well-known teahouse company listed on the Stock Exchange (stock code: 2150). Since June 2016, Mr. Pan has been serving as a non-executive director of Zhou Hei Ya International Holdings Company Limited (周黑鴨國際控股有限公司), a braised food company listed on the Stock Exchange (stock code: 1458). In addition, Mr. Pan has served as the director of Hunan Chayue Cultural Industry Development Group Co., Ltd. (湖南茶悅文化產業發展集團有限公司) (formerly known as Hunan Chayue Catering Management Co., Ltd. (湖南茶悅餐飲管理有限公司)) since February 2019. Moreover, since October 2013, Mr. Pan has been serving as a director of Tvzone Media Co., Ltd. (中廣天擇傳媒股份有限公司), a media company listed on the Shanghai Stock Exchange (上海證券交易所) (stock code: 603721). As director of the above-mentioned companies, Mr. Pan represents investment entities directly or indirectly controlled by Tiantu Capital, which is entitled to appoint a board director due to its investment in such companies.

Mr. Pan obtained a bachelor's degree in finance and a master's degree in finance from Hunan University (湖南大學), the PRC, in June 2002 and December 2004, respectively.

Mr. Hu Qihao (胡祺昊), aged 44, is a non-executive Director of our Group nominated by Bole No. 1 and Baima No. 4. He is principally responsible for giving strategic advice and making recommendations on operation and management of our Group.

Mr. Hu is currently holding directorship in various companies. Since September 2010, Mr. Hu has been an executive director and general manager of Changsha Youhuo Shengya Education Consulting Co., Ltd.* (長沙優活生涯教育諮詢有限公司), an education consulting company. Since October 2014, he has been a managing director of CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd.* (中金前海(深圳)私募股權基金管理有限公司) (formerly known as CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. (中金前海發展(深圳)基金管理有限公司)).

Mr. Hu worked as a supervisor or director in various entities. From March 2021 to July 2021, Mr. Hu served as a supervisor in Gangxiaoxian Catering Management (Nanjing) Co., Ltd. (港小仙餐飲管理(南京)有限責任公司) ("**Gangxiaoxian**"), a company principally engaged in the provision of catering services. From January 2017 to April 2020, he served as a director of Shenzhen Beethoven Network Technology Co., Ltd.* (深圳貝多芬網絡科技有限公司), a company principally engaged in e-commerce business. From April 2016 to April 2020, Mr. Hu served as a director of China Haihuiyin (Shenzhen) Fund Management Co., Ltd. (中海匯銀(深圳)基金管理有限公司) ("**Haihuiyin**"), an equity investment institution. From July 2008 to June 2016, Mr. Hu worked as a supervisor in Changsha Zhibang Culture Communications Co., Ltd. (長沙智邦文化傳播有限公司) ("**Zhibang Culture**"), a company principally engaged in the provision of advertising consulting services. As a supervisor, Mr. Hu was principally responsible for supervising the performance of duties of senior management, and as a director, he was principally responsible for overseeing the management and operation.

Due to cessation of business operations, Zhibang Culture, Haihuiyin and Gangxiaoxian were revoked or deregistered on June 30, 2016, April 16, 2020 and July 12, 2021, respectively. Mr. Hu confirmed that (i) to the best of his knowledge, information and belief, Zhibang Culture, Haihuiyin and Gangxiaoxian were solvent immediately prior to their revocation or deregistration; (ii) there is no wrongful act on his part leading to the revocation or deregistration of Zhibang Culture, Haihuiyin or Gangxiaoxian; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation or deregistration of Zhibang Culture, Haihuiyin (Shenzhen) and Gangxiaoxian; and (iv) no misconduct or misfeasance had been involved on his part in the revocation or deregistration of Zhibang Culture, Haihuiyin and Gangxiaoxian.

Mr. Hu received his bachelor's degree and master's degree in electrical machinery from Tsinghua University (清華大學), the PRC, in July 2000 and July 2003, respectively. Mr. Hu was recognized as Emerging Venture Investor (新銳創業投資人) by Securities Times (證券時報社) in April 2017.

Independent Non-executive Directors

Dr. Jiang Yanbo (蔣岩波), aged 56, is an independent non-executive Director. He is principally responsible for providing independent advice on the operation and management of our Company.

In addition to directorship held in our Company, since November 2021, Dr. Jiang has been an non-executive director of Mubang High-tech Co., Ltd. (江西沐邦高科股份有限公司) (formerly known as Guangdong Bangbao Yizhi Toys Co., Ltd. (廣東邦寶益智玩具股份有限公司)), a company principally engaged in the manufacture and sale of educational building block toys and is listed on the Shanghai Stock Exchange (stock code: 603398). Since September 2021, Dr. Jiang has been an independent non-executive director of Shenzhen Minkave Technology Co., Ltd. (深圳市名家匯科技股份有限公司), a company principally engaged in the operation of lighting engineering business and is listed on the Shenzhen Stock Exchange (stock code: 300506). Since September 2020, Dr. Jiang has been an independent non-executive director of BYD Company Limited (比亞迪股份有限公司), a company principally engages in the research, development, manufacture and sale of rechargeable batteries and photo voltaic business and is listed on the Shenzhen Stock Exchange (stock code: 002594) as well as the Stock Exchange (stock code: 1211). Since April 2017, Dr. Jiang has been an independent non-executive director of Guangdong Dowstone Technology Co., Ltd. (廣東道氏技術股份有限公司), a technology company listed on the Shenzhen Stock Exchange (深圳證券交易所) (stock code: 300409). As an independent non-executive director or non-executive director, Dr. Jiang is principally responsible for providing independent judgment and advice in relation to the overall management of these companies.

In addition, from August 2016 to February 2019, Dr. Jiang served as an independent non-executive director of Kangda New Materials (Group) Co., Ltd. (康達新材料(集團)股份有限公司) (formerly known as Shanghai Kangda New Materials Group Co., Ltd (上海康達化工新材料股份有限公司)), a new materials manufacturing company listed on the Shenzhen Stock Exchange (stock code: 002669). Since July 1989, Dr. Jiang has been serving various positions in Jiangxi University of Finance and Economics (江西財經大學) (formerly known as Jiangxi College of Finance and Economics (江西財經學院)), the PRC, and his latest position is professor and lecturer of the law school, where he is primarily responsible for teaching and mentoring master and PHD students of law school and researching on the economic laws.

Dr. Jiang received a bachelor's degree in economics from Jiangxi University of Finance and Economics, the PRC, in July 1987 and another bachelor's degree in law from China University of Political Science and Law (中國政法大學), the PRC, in June 1989. In addition, Dr. Jiang also received a doctor's degree in economics from Jiangxi University of Finance and Economics, the PRC, in January 2008.

Mr. Ma Ruiguang (馬瑞光), aged 49, is an independent non-executive Director. He is responsible for providing independent advice on the operation and management of our Company.

In addition to directorship held in our Company, since April 2019, Mr. Ma has been serving as the chairman of Shenzhen Yima Brand Chain Education Group Limited (深圳市逸馬品牌連鎖教育集團有限公司), a business management consulting and marketing planning provider. Since September 2009, Mr. Ma has been serving as the chairman of Shenzhen Yima Technology Co., Ltd. (深圳市逸馬科技有限公司), a chain service platform in China that offers research, training, consulting, investment and education services. Since July 2004, Mr. Ma has been serving as the chairman of Shenzhen Yima Management Consulting Co., Ltd. (深圳市逸馬管理顧問有限公司) (a business management consulting firm). As the chairman, Mr. Ma is principally responsible for overseeing the overall operation of these companies.

Mr. Ma worked as a supervisor in various entities. From January 2013 to February 2021, Mr. Ma served as a supervisor of the Shanghai Yima Enterprise Management Consulting Co., Ltd. (上海怡馬企業管理諮詢有限公司) ("**Shanghai Yima Enterprise**"), a company principally engaged in the provision of business management consulting services. From November 2014 to November 2020, Mr. Ma served as a supervisor of the Shenzhen Yima Huishang Investment Development Co., Ltd. (深圳市逸馬慧商投資發展有限公司) ("**Yima Huishang**"), a company principally engaged in the provision of investment management consulting services. From November 2005 to January 2009, Mr. Ma served as a supervisor of the Fujian Yima Enterprise Management Consulting Co., Ltd (福建省逸馬企業管理顧問有限公司) ("**Fujian Yima**

Enterprise"), a company principally engaged in the provision of business management consulting services. As a supervisor, Mr. Wa was principally responsible for supervising the performance of duties of senior management of those companies.

Mr. Ma also had various senior management positions in various entities. From December 2014 to May 2021, Mr. Ma served as a chairman of Shenzhen Yima Digital Technology Co., Ltd (深圳市逸馬數字化科技有限公司) ("**Yima Technology**"), a company principally engaged in the provision of internet technology consulting services. From January 2015 to December 2019, Mr. Ma served as a director and general management of Shenzhen SiGe Education Co, Ltd (深圳市思格教育有限公司) ("**SiGe Education**"), a company principally engaged in the development and sales of educational software and equipment. From April 2015 to May 2019, Mr. Ma served as a chairman of Shenzhen Yima Menghui Management Consulting Co., Ltd. (深圳市逸馬區盟會管理諮詢有限公司) ("**Yima Menghui**"), a company principally engaged in the provision of marketing and management consulting services. From September 2013 to May 2019, Mr. Ma served as a director of Yima Pu-Fonda Investment Management (Shenzhen) Co., Ltd. (逸馬普方達投資管理(深圳)有限公司) ("**Yima Pu-Fonda**"), a company principally engaged in the provision of investment management consulting services. From April 2018 to April 2019, Mr. Ma served as a general partner of Shenzhen Wenchuang Management Consulting Partnership (Limited Partnership) (深圳穩創管理諮詢合夥企業(有限合夥)) ("**Wenchuang Management**"), a company principally engaged in the provision of business and management consulting services. As a senior management member of those companies, Mr. Ma was principally responsible for overseeing the management and business operation.

Due to cessation of business operations, Shanghai Yima Enterprise, Yima Huishang, Fujian Yima Enterprise, Yima Technology, SiGe Education, Yima Menghui, Yima Pu-Fonda and Wenchuang Management were revoked or deregistered on February 7, 2021, November 12, 2020, January 15, 2009, May 19, 2021, November 25, 2019, May 31, 2019, May 31, 2019, and April 22, 2019, respectively. Mr. Ma confirmed that (i) to the best of his knowledge, information and belief, Shanghai Yima Enterprise, Yima Huishang, Fujian Yima Enterprise, Yima Technology, SiGe Education, Yima Menghui, Yima Pu-Fonda and Wenchuang Management were solvent immediately prior to their respective revocation or deregistration; (ii) there is no wrongful act on his part leading to their respective revocation or deregistration; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of their revocation or deregistration; and (iv) no misconduct or misfeasance had been involved on his part in the revocation or deregistration of Shanghai Yima Enterprise, Yima Huishang, Fujian Yima Enterprise, Yima Technology, SiGe Education, Yima Menghui, Yima Pu-Fonda and Wenchuang Management.

Mr. Ma received an undergraduate diploma in economics from Inner Mongolia Agricultural University (內蒙古農業大學) (formerly known as Inner Mongolia College of Agriculture and Animal Husbandry (內蒙古農牧學院)), the PRC, in July 1996 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院), the PRC, in August 2014.

Dr. Wu Zhanchi (吳戰篪), aged 47, is an independent non-executive Director. He is responsible for providing independent advice on the operation and management of our Company.

Since September 2022, Dr. Wu has been serving as an independent non-executive director of Guangdong Electric Power Development Co., Ltd. (廣東電力發展股份有限公司), a company principally engaged in the investment, construction, and operation management and sale of electric power and which is listed on the Shenzhen Stock Exchange (stock codes: 000539 and 200539).

Since May 2021, Dr. Wu has been serving as an independent non-executive director of Guangzhou Jointas Chemical Co., Ltd. (廣州集泰化工股份有限公司), a company principally engaged in the research, development, production, and sale of sealants and coatings and which is listed on the Shenzhen Stock Exchange (stock code: 002909). Since September 2016, Dr. Wu has been an independent non-executive director of Cosonic Intelligent Technologies Co., Ltd. (廣東佳禾智能科技股份有限公司), an electroacoustic products manufacturing company listed on the Shenzhen Stock Exchange (stock code: 300793). As an independent non-executive director, he is responsible for providing independent judgment and advice in relation to the general management of these companies. Since July 2006, Dr. Wu has been a professor of Jinan University (暨南大學).

In addition, from May 2017 to May 2018, Dr. Wu was an independent non-executive director of Atmvi Professional Co., Ltd, (北京維珍創意科技股份有限公司), a design company listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) ("**NEEQ**") (stock code: 430305). From January 2014 to November 2018, Guangdong Ake Technology Co., Ltd. (廣東艾科技術股份有限公司), an equipment manufacturing company listed on the NEEQ (stock code: 871148).

Dr. Wu received a master's degree in accounting from Hunan University (湖南大學), the PRC, in June 2003 and obtained a doctor's degree in accounting from Southwestern University of Finance and Economics (西南財經大學), the PRC, in June 2006. Since September 2000, Dr. Wu has been a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Cheung Yee Tak Jonathan (張以德), aged 34, is an independent non-executive Director. He is primarily responsible for providing independent advice on the operation and management of our Company.

Mr. Cheung has over ten years of experience in the finance industry. Since March 2021, Mr. Cheung has been an assistant vice president at DBS Asia Capital Limited (星展亞洲融資有限公司), a subsidiary of DBS Group Holdings Ltd (a company listed on the Singapore Exchange (stock code: D05.SI)), where he is primarily responsible for the provision of corporate finance services. Mr. Cheung is also a representative of DBS Asia Capital Limited for its Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Since October 2019, Mr. Cheung has been an independent non-executive director of Keen Ocean International Holding Limited (僑洋國際控股有限公司), a company principally engaged in the production and sale of certain electronic products and components, which is listed on the GEM Board of the Stock Exchange (stock code: 8070), where he primarily advises on its corporate governance. From July 2019 to August 2020, Mr. Cheung was an associate director of the corporate finance department of Sinolink Securities (Hong Kong) Company Limited (國金證券(香港)有限公司), a company principally engaged in the provision of financial services, and a subsidiary of Sinolink Securities Co., Ltd. (國金證券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600109)), where he was primarily responsible for the provision of corporate finance services. From February 2016 to July 2019, Mr. Cheung worked at Kingsway Capital Limited (滙富融資有限公司), a company principally engaged in the provision of financial services, and a subsidiary of Sunwah Kingsway Capital Holdings Limited (新華滙富金融控股有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 188)), where he was primarily responsible for the provision of corporate finance services. His last position was a senior manager. From September 2011 to July 2015, Mr. Cheung worked at PricewaterhouseCoopers (羅兵咸永道會計師事務所), where he primarily provided audit services to external clients. His last position was a senior associate.

In June 2011, Mr. Cheung received his bachelor's degree in commerce from the University of Toronto, Canada. Since January 2015, Mr. Cheung has been a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Zhu Fang (朱舫), aged 66, is an independent non-executive Director. She is primarily responsible for providing independent advice on the operation and management of our Company.

Ms. Zhu has rich experience in the media industry. Since March 2011, she has been the chief advisor and vice-chairman of the supervisory committee of China Chain Store & Franchise Association, an organization serving its members of the franchising industries, where she advises on development of the franchising industries. From January 1985 to February 2011, she worked at China Business Herald (中國商報社), a news press, where she was primarily responsible for news reports. Her last position was a deputy editor-in-chief. From August 1982 to December 1984, Ms. Zhu worked at Institute of Economic Research of Commerce Unit (商業部經濟研究所) (formerly known as Chinese Academy of International Trade and Economic Cooperation (商務部國際貿易經濟合作研究院)), where she researched economy.

Ms. Zhu was accredited by the PRC National Press and Publication Administration (中國國家新聞出版署) as an Editor-in-Chief (主任編輯) and an Executive Editor (高級編輯) in 1993 and 2000, respectively. In November 2007, she was awarded the Distinguished Achievement in the Franchising Industry (中國連鎖業突出成就獎) by China Chain Store & Franchise Association.

Ms. Zhu received her bachelor's degree in journalism from Renmin University (人民大學), PRC, in July 1982.

Except as disclosed in this section and the section headed "Relationship with our Controlling Shareholders" in this document, none of our Directors has any interests in any business which competes or is likely to compete, either directly or indirectly, with our Company.

SUPERVISORS

The PRC Company Law requires a joint-stock limited company to establish a board of supervisors. Our supervisory board currently consists of three supervisors, one of whom is the chairman of our supervisory board. Pursuant to our Articles of Association, at least one-third of our supervisors must be employee representatives elected by our employees. We have one employee representative supervisor elected by our employees and two shareholder representative supervisors elected and appointed by our Shareholders at the Shareholders' meeting. Each of the supervisors is appointed for a term of three years which is renewable upon re-election and re-appointment.

Pursuant to the Articles of Association, the functions and powers of the board of supervisors include, among other things, reviewing the financial management of our Company, supervising the performance of our Directors and senior management members, and monitoring as to whether they comply with the law, administrative stipulations and Articles of Association when performing their duties, requesting Directors and senior management members to rectify actions detrimental to our Company's interests. In addition, our board of supervisors is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations.

Save for that Mr. Yu is the spouse of Ms. Xu, and Ms. Xu is a sister of Mr. Xu Yongjian, none of our Directors, supervisors and senior management members has any relationship with any other Directors, supervisors or senior management members of our Company or any Substantial Shareholders or Controlling Shareholders of our Company.

Mr. Yang Xiaohu (楊曉虎), aged 43, is a Supervisor and the chairman of the supervisory board of our Company. Mr. Yang is responsible for supervising the performance of duties by the Directors and senior management of our Company. In addition to supervisorship held with our Company, Mr. Yang also holds various positions at our Company and his last and current position is the director of the audit and supervision department of our Company. Further, Mr. Yang also served as a supervisor of Pagoda (Shanghai) Information Technology Co., Ltd. (百果園(上海)信息科技有限公司) ("**Pagoda Information**") from January 2020 to February 2022 and has also been serving as a supervisor of various subsidiaries of our Group[1].

Mr. Yang joined our Group in April 2008 and except the supervisorship held with our Group, Mr. Yang also held management positions in various entities. From August 2016 to November 2018, Mr. Yang served as a director and general manager of Shenzhen Baiguoyuan Management Consulting Service Co., Ltd. (深圳百果園管理諮詢服務有限公司) ("**Baiguoyuan Management**"), a company principally engaged in the management consulting services. From September 2015 to May 2017, Mr. Yang served as director of Jinhua Dongfangmu Fruit Industry Co., Ltd. (金華市東方木果業有限公司) ("**Dongfangmu Fruit**"), a company principally engaged in the retail of fruit and vegetables. From March 2001 to April 2008, Mr. Yang served as a manager of the fresh procurement department of Shenzhen Renrenle Commerce Co., Ltd. (深圳市人人樂商業有限公司), a company principally engaged in the operation of hypermarkets, boutique supermarkets and online shopping markets in China, and a wholly-owned subsidiary of Renrenle Commercial Group Co., Ltd. (人人樂連鎖商業集團股份有限公司) which is listed on the Shenzhen Stock Exchange (stock code: 002336).

Due to cessation of business operations, Baiguoyuan Management, Dongfangmu Fruit and Pagoda Information were deregistered on November 19, 2018, May 11, 2017 and February 25, 2022, respectively. Mr. Yang confirmed that (i) to the best of his knowledge, information and belief, Baiguoyuan Management, Dongfangmu Fruit and Pagoda Information were solvent immediately prior to their respective deregistration; (ii) there is no wrongful act on his part leading to the deregistration of Baiguoyuan Management, Dongfangmu Fruit and Pagoda Information; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of Baiguoyuan Management, Dongfangmu Fruit and Pagoda Information; and (iv) no misconduct or misfeasance had been involved on his part in the deregistration of Baiguoyuan Management, Dongfangmu Fruit and Pagoda Information.

1 Pagoda Investment (since June 2015), Haiyang Jinchengtai (since March 2019), Shenzhen Yitong (since March 2019), Pagoda Xinxiang (since April 2019), Pagoda Airport (since July 2019), Pagoda Changfeng (since July 2019), Pagoda Wangxi (since October 2019), Pagoda Shulian (since November 2019), Pagoda Commerce (since December 2019), Shenzhen Youxian (since January 2020), Pagoda Supply Chain (since December 2019), Shanghai Pagoda (since March 2020), Baiguo Digital Industrial (since March 2020), Ruian Gangnan (since April 2020), Yuanmou Yuanshengyuan (since May 2020), Pagoda Bajie (since July 2020), Pagoda Seeds (since July 2020), Changzhou Baqianli (since September 2020), Hainan Supply Chain (since September 2020), Changzhou Tianjing (since September 2020) Pagoda Ecological Investment (since October 2020), Baihui Life (since November 2020), Pagoda Fruit Products (since December 2020), Hangzhou Rongxi (since March 2021), Wenzhou Jiawang (since April 2021), Jinnong Supply Chain (since May 2021), Shanghai Biotechnology (since June 2021), Xi'An Yuxing (since July 2021), Xi'An Pagoda (since July 2021), Baixin Investment (since September 2021), Pagoda Home (since January 2021), Shenzhen Sangeling (since February 2022) and Hangzhou Wanggu (since May 2022).

Mr. Yang received an associate degree in international finance from Hubei University of Economics (湖北經濟學院) (formerly known as Wuhan Financial Academy (武漢金融高等專科學校)), the PRC, in June 2000.

Mr. Zou Feng (鄒峰), aged 40, is a Supervisor. He is responsible for supervising the performance of duties by the Directors and senior management of our Company. He has also been serving as an executive director of Pagoda Preliminary Processing and Shanghai Pagoda since July 2018 and March 2020, respectively, where he is responsible for overseeing the logistics and distribution of fruits.

In addition, from March 2012 to December 2020, Mr. Zhou served as a director and general manager of Weihai Aorun Trading Co., Ltd. (威海奧潤貿易有限公司) ("**Aorun Trading**"), a company principally engaged in clothing trading, where he was principally responsible for overseeing the management and operation. From March 2002 to May 2009, Mr. Zou worked at fresh products processing and distribution center owned by Jiajiayue Group Co., Ltd. (家家悅集團有限公司) (formerly known as Shandong Jiajiayue Group Co., Ltd.* (山東家家悅集團有限公司)), a supermarket operating company listed on the Shanghai Stock Exchange (stock code: 603708).

Due to cessation of business operations, Aorun Trading was deregistered on December 1, 2020. Mr. Zou confirmed that (i) to the best of his knowledge, information and belief, Aorun Trading was solvent immediately prior to their deregistration; (ii) there is no wrongful act on his part leading to the deregistration of Aorun Trading; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of Aorun Trading; and (iv) no misconduct or misfeasance had been involved on his part in the deregistration of Aorun Trading.

Ms. Zou received a diploma of secondary vocational school in traffic management from Weihai Traffic School (威海市交通學校), the PRC, in July 2003. He was recognized as the Expertise of China Association of Warehousing and Distribution (中國倉儲與配送協會專家) by China Association of Warehousing and Distribution (中國倉儲與配送協會) in August 2017.

Mr. Su Yan (蘇彥), aged 40, is a Supervisor. He is responsible for supervising the performance of duties by the Directors and senior management of our Company. Mr. Su joined our Company in August 2006 and held various positions such as procurer, marketing manager, e-commerce manager and online operation center director. He is currently also the director of the operation center of our Group. Mr. Su has also been serving as a supervisor of Baiguo Technology and a director of Pagoda Home since December 2015 and November 2021, respectively.

Mr. Su received his bachelor's degree in English from Huizhou University (惠州學院), the PRC, in June 2005.

SENIOR MANAGEMENT

Our senior management is responsible for our day-to-day management and business operation. For biographical details of Ms. Xu Yanlin, Mr. Jiao Yue and Mr. Zhu Qidong, see "— Directors — Executive Directors" in this section. A description of the business experience of each other senior management member is set out below.

Mr. Gong Jianming (龔建明), aged 53, is a deputy general manager of our Company. He is primarily responsible for overseeing the expansion of our franchise network and the operation of our franchisees.

In addition, since August 2022, Mr. Gong has been serving as executive director and general manager of Pagoda Commerce, one of our wholly-owned subsidiary. From September 2015 to October 2017, Mr. Gong served as a director and general manager of Nanjing Xianshidai Agricultural Development Co., Ltd. (南京鮮時代農業發展有限公司) ("**Xianshidai Agricultural**"), a company principally engaged in the sales and franchise business of fresh food, where he was primarily responsible for overseeing the business management and operation. From October 1999 to July 2015, he was the general managers of several supermarkets managed by Shanghai Darunfa Company Limited (上海大潤發有限公司), a supermarket chain, where he was mainly responsible for the overall management of the supermarkets. From August 1992 to October 1999, Mr. Gong was an engineer of Nanjing Jingyi Forge Company Limited* (南京精益鑄造有限公司), a manufacturer of hydraulic products.

Due to cessation of business operations, Xianshidai Agricultural was deregistered on October 19, 2017. Mr. Gong confirmed that (i) to the best of his knowledge, information and belief, Xianshidai Agricultural was solvent immediately prior to its deregistration; (ii) there is no wrongful act on his part leading to the deregistration of Xianshidai Agricultural; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of Xianshidai Agricultural; and (iv) no misconduct or misfeasance had been involved on his part in the deregistration of Xianshidai Agricultural.

Mr. Gong received his bachelor's degree in mechanical engineering from East China University of Science and Technology (華東理工大學), PRC, in July 1992.

Mr. Xu Yongjian (徐永劍), aged 51, is the deputy general manager of our Company. Mr. Xu is principally responsible for overseeing the technology development of our Group. In addition, Mr. Xu has also been an executive director of certain subsidiaries of our Company, namely, Beijing Aoxiang, Baiguo Technology, Pagoda Shulian, Baiguo Digital Industrial and Baihui Life, since November 2015, December 2015, November 2019, March 2020 and November 2020, respectively, where he is principally responsible for formulating the overall business development strategy and supervising their business operation. Since January 2020, Mr. Xu has also been the chairman of the board of Shenzhen Youxian, where he is responsible for overseeing the overall business operation.

From May 2015 to April 2018, Mr. Xu served as a general manager of Shenzhen Yimiaotong, where he was responsible for overseeing the overall business operation. From April 1999 to June 2015, Mr. Xu served in the People's Insurance Company of China (Shenzhen Branch) (中國人民財產保險股份有限公司深圳分公司), a company primarily engaged in the provision of insurance services, and a subsidiary of People's Insurance Company of China (中國人民財產保險股份有限公司) (a company listed on the Main Board of the Stock Exchange (stock code: 2328)), where his last position was the general manager of the information technology department.

Mr. Xu received a bachelor's degree in math from Jiangxi Normal University (江西師範大學), the PRC, in June 1993 and a master's degree in computer application from South China University of Technology (華南理工大學), the PRC, in March 1999.

Mr. Lai Hin Yeung (賴顯陽), aged 37, is the deputy general manager and finance director of our Company. Mr. Lai is principally responsible for the overall financial management of our Group.

From April 2018 to January 2019, he was the financial controller of Alphabet Limited. From December 2013 to April 2018, he worked at PricewaterhouseCoopers, where he was responsible for managing and supervising accounting matters and his last position was manager. From November 2011 to October 2013, Mr. Lai served as an accountant of SHINEWING (HK) CPA Limited (信永中和會計師事務所). From February 2011 to November 2011, he served as an accountant of PKF Hong Kong Limited (大信梁學濂會計師事務所有限公司). From July 2009 to February 2011, he served as an accountant of Kaizen CPA Limited (啟源會計師事務所有限公司).

Mr. Lai received his bachelor's degree in accounting from Macquarie University (麥格理大學), Australia, in July 2009. He is currently a certified accountant of CPA Australia.

Ms. Fu Xiaoyan (付小豔), aged 35, is the deputy general manager, secretary of the Board and one of the joint company secretaries. Ms. Fu joined our Group in July 2018, and she is responsible for executing the resolutions of the Board.

From August 2013 to July 2018, Ms. Fu was a securities representative in Shenzhen Dart Lighting Co., Ltd. (深圳達特照明股份有限公司), a lighting product manufacturing company listed on the NEEQ (stock code: 832709). From June 2012 to July 2013, Ms. Fu served as a clerk at Shenzhen Municipal Longgang District Bantian Sub-district Office* (深圳市龍崗阪田街道辦事處), an agency of the PRC government.

Ms. Fu received a bachelor's degree in law from Shenyang Normal University (瀋陽師範大學), the PRC, in June 2009 and a master's degree in international law from Shenzhen University (深圳大學), the PRC, in June 2012. Ms. Fu obtained the Legal Professional Qualification Certificate (法律職業資格) issued by the Ministry of Justice of the PRC (中華人民共和國司法部) in March 2011 and the Qualification Certificate of Board Secretary (董事會秘書資格證書) by the Shenzhen Stock Exchange in January 2016.

Except as disclosed above, none of our Directors, Supervisors and senior management members has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document, and there is no other information that needs to be disclosed under Rule 13.51(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Fu Xiaoyan (付小豔), was appointed as one of the joint company secretaries of our Company on April 25, 2020. Ms. Fu is also the deputy general manager and the secretary of the Board. See the paragraph headed "— Senior Management — Ms. Fu Xiaoyan" in this section for her biography.

Ms. Tam Pak Yu, Vivien (譚栢如), was appointed as a joint company secretary of our Company on May 10, 2021. Ms. Tam currently serves as an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over six years of experience in the corporate secretarial field. Ms. Tam has been an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute of the United Kingdom since 2018. Ms. Tam obtained a bachelor's degree in China studies from Hong Kong Baptist University in 2014 and a master's degree in professional accounting and corporate governance from City University of Hong Kong (香港城市大學) in 2017.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review our financial statements and disclosure, supervise our internal auditing system and its implementation, review our internal control system and make recommendations on engagement or change of external audit institutions. Members of the audit committee are Dr. Wu Zhanchi, Mr. Ma Ruiguang and Mr. Pan Pan. Dr. Wu Zhanchi is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee in compliance with Rules 3.25 of the Listing Rules. The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our Directors and the members of senior management. The remuneration of our Directors and members of senior management is subject to regular monitoring by our remuneration committee to ensure that their remuneration and compensation are appropriate and fair. Members of the remuneration committee are Mr. Ma Ruiguang, Dr. Jiang Yanbo and Ms. Xu Yanlin. Mr. Ma Ruiguang is the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary responsibilities of our nomination committee are to review the structure and composition of our Board on a regular basis and to consider and recommend to the board of Directors suitable and qualified candidates of Directors and senior management members. Members of the nomination committee are Mr. Yu Huiyong, Mr. Ma Ruiguang and Dr. Jiang Yanbo. Dr. Jiang Yanbo is the chairman of the nomination committee.

Strategic Committee

The primary responsibilities of our strategic committee are to review our Company's long-term development strategies, major investment decisions, and substantial capital operations and assets management projects which require the approval of the Board as stated in the Articles of Association and propose suggestions. The committee also reviews other important matters affecting our Company's development and checks the implementation of the above-mentioned matters and conducts other duties as conferred by the Board. Members of the strategic committee are Mr. Yu Huiyong, Mr. Pan Pan and Ms. Zhu Fang. Mr. Yu Huiyong is the chairman of the strategy committee.

Environmental, Social and Governance Committee or ESG Committee

The ESG committee is primarily responsible for overseeing and guiding our Company's ESG initiatives and policies, assessing potential ESG-related risks of our Group and reporting and making proposals to the Board in relation to ESG issues. The ESG committee is also responsible for reviewing our Company's ESG reports and advising the Board on any ESG-related issues, as well as overseeing any other matters that may affect our Company's expansion strategy and making relevant proposals. Members of the ESG committee are Ms. Xu Yanlin, Mr. Jiao Yue and Ms. Zhu Fang. Ms. Xu Yanlin is the chairperson of the ESG committee.

BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain the diversity of our Board. Pursuant to board diversity policy, we seek to achieve board diversity by taking into consideration various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

Our Directors have a balanced mix of knowledge, skills and experience of various industries and practices covering investment, accounting, management, legal, education and fresh and fruit industries. They obtained academic degrees in various majors, including economies, business administration, accounting, law and horticulture. We have five independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. Furthermore, our Board has a wide range of ages, ranging from 34 years old to 66 years old. We have also taken steps to and will continue to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Our Nomination Committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report the implementation of the board diversity policy on an annual basis.

We are also committed to adopting a similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from the Board downwards to enhance the effectiveness of our corporate governance as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, [and the Stock Exchange has granted to us,] a waiver from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong and a waiver from strict compliance with the requirement under Rule 3.28 and 8.17 of the Listing Rules in relation to the company secretary. For details of the waiver, please see the section headed "Waivers from Compliance with the Listing Rules" in this document.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) of the Directors for the years ended December 31, 2019, 2020 and 2021 and the six month ended June 30, 2022 was approximately RMB4.6 million, RMB4.3 million, RMB5.4 million and RMB2.9 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) of the Supervisors for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB1.7 million, RMB1.3 million, RMB1.6 million and RMB0.7 million, respectively.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) of our senior management members (except Ms. Xu Yanlin, Mr. Jiao Yue and Mr. Zhu Qidong) for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB2.5 million, RMB2.6 million, RMB3.6 million and RMB1.7 million, respectively.

Save as disclosed in this section and notes 8 to 10 to the section headed "Accountant's Report" in Appendix I to this document, no other amounts have been paid or are payable by our Group to our Directors, Supervisors and senior management members during the Track Record Period.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to the five highest paid individuals of our Company, including Directors, for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was approximately RMB9.7 million, RMB8.7 million, RMB11.5 million and RMB5.3 million, respectively.

No remuneration was paid by us to our Directors, Supervisors, senior management members or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the Track Record Period. Further, none of our Directors, Supervisors nor senior management members waived or agreed to waive any remuneration during the same periods.

Under the arrangements currently in force as of the date of this document, the aggregate amount of remuneration (including benefits in kind and discretionary bonuses) payable to our Directors, Supervisors and senior management members for the year ending December 31, 2022 is estimated to be approximately RMB12.4 million in aggregate.

Following [**REDACTED**], our Board will review and determine the remuneration and compensation of our Directors, Supervisors and senior management members taking into consideration their time commitments, experience, responsibilities and performances, the recommendations from the Remuneration Committee and comparable companies.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited (新百利融資有限公司) as our compliance adviser (the "**Compliance Adviser**") upon the [**REDACTED**] of our H Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- 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 issues and share repurchases;

- where we propose to [**REDACTED**] of [**REDACTED**] in a manner different from that detailed in this document or where its business activities, developments or results deviate from any forecast, estimate, or other information in this document; and

- where the Stock Exchange makes an inquiry of our Company under Rule 13.10.

The term of the appointment shall commence on [**REDACTED**] and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after [**REDACTED**]. This appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of [**REDACTED**] and assuming that [**REDACTED**] is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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:

		Immediately following the completion of [REDACTED] (assuming [REDACTED] is not exercised)(1)		
Name of Shareholder/ Ultimate Controller/ Ultimate Beneficial Owner	**Nature of interest**	**Number of Shares**	**Class**	**Approximate percentage of interest in our Company**
Mr. Yu	Beneficial owner	[**REDACTED**]	Domestic Shares	[**REDACTED**]%
	Interest of spouse and interest in controlled corporation(2)	[**REDACTED**]	H Shares	[**REDACTED**]%
Ms. Xu Yanlin	Interest of spouse and interest in controlled corporation(3)	[**REDACTED**]	Domestic Shares	[**REDACTED**]%
		[**REDACTED**]	H Shares	[**REDACTED**]%
Hongyuan Shanguo	Beneficial owner	[**REDACTED**]	H Shares	[**REDACTED**]%
Hengyili Investment	Beneficial owner	[**REDACTED**]	H Shares	[**REDACTED**]%
Mr. Wang Yonghua (王永華)	Interest in controlled corporation(4)	[**REDACTED**]	H Shares	[**REDACTED**]%
Tiantu Capital	Interest in controlled corporation(4)	[**REDACTED**]	H Shares	[**REDACTED**]%
Tiantu Center	Interest in controlled corporation(4)	[**REDACTED**]	H Shares	[**REDACTED**]%
China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**")	Interest in controlled corporation(4)	[**REDACTED**]	H Shares	[**REDACTED**]%
CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**")	Interest in controlled corporation(4)	[**REDACTED**]	H Shares	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares in issue immediately following the completion of [**REDACTED**] (assuming that [**REDACTED**] is not exercised).

(2) Immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), Shenzhen Huiling and Huizhi Zhongxiang will directly hold approximately [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively.

Mr. Yu is the spouse of Ms. Xu Yanlin. Mr. Yu is the general partner of and has full control of Hongyuan Shanguo, Huizhi Zhongxiang and Hengyili Investment. Further, Mr. Yu owns 51% equity interests of Shenzhen Huilin.

As such, (i) Mr. Yu is deemed under the SFO to be interested in the Shares held by Ms. Xu Yanlin, and (ii) immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), Ms. Yu is deemed under the SFO to be interested in the aggregate of approximately [**REDACTED**]% of the total issued share capital of our Company held by Hongyuan Shanguo, Huizhi Zhongxiang and Hengyili Investment.

(3) Ms. Xu Yanlin is the spouse of Mr. Yu. Ms. Xu Yanlin owns 49% equity interest of Shenzhen Huilin. Further, Ms. Xu Yanlin contributed more than one third of the capital of Hengyili Investment.

As such, Ms. Xu Yanlin is deemed under the SFO to be interested in the Shares held by Mr. Yu, Shenzhen Huilin and Hengyili Investment.

(4) Immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), Tiantu Xinghui, Tiantu Xingsu, Tiantu Xingshun, Tiantu Xingsi, Tiantu Xingbei and Tiantu Tiantou will directly hold approximately [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively.

Tiantu Management is the general partner of and has full control over Tiantu Xinghui, Tiantu Xingsu, Tiantu Xingshun and Tiantu Xingsi. Tiantu Center is the (executive) general partner of and has full control over Tiantu Xingbei and Tiantu Tiantou. Tiantu Management and Tiantu Center are wholly owned by Tiantu Capital. Tiantu Capital directly contributed 99%, 48.58%, 41.8571% and 99% of the capital of Tiantu Xinghui, Tiantu Xingsu, Tiantu Xingshun and Tiantu Xingsi, respectively. Tiantu Xinghang contributed 48.12% of the capital of Tiantu Xingsu and Tiantu Xinghang is ultimately controlled by Tiantu Capital.

Mr. Wang Yonghua is the ultimate controlling shareholder (with control or control the exercise of more than 40% of the voting rights) of Tiantu Capital.

As such, immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), (i) Tiantu Center is deemed under the SFO to be interested in the aggregate of approximately [**REDACTED**]% of the total issued share capital of our Company, and (ii) Mr. Wang Yonghua and Tiantu Capital are deemed under the SFO to be interested in the aggregate of [**REDACTED**]% of the total issued share capital of our Company held by Tiantu Xinghui, Tiantu Xingsu, Tiantu Xingshun, Tiantu Xingsi, Tiantu Xingbei and Tiantu Tiantou.

(5) Immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), Bole No. 1, Baima No. 4, Henan Zhanxin, CICC Haoze and Xinyu Unicorn will directly hold approximately [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]%, [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively.

CICC Qianhai (Shenzhen) Equity Investment Fund Management Co., Ltd. (中金前海(深圳)股權投資基金管理有限公司) ("**CICC Qianhai Equity**") is the general partner of and has control over Bole No. 1 and Baima No. 4. CICC Qianhai Equity is wholly owned by CICC Qianhai Development (Shenzhen) Fund Management Co., Ltd. (中金前海發展(深圳)基金管理有限公司) ("**CICC Qianhai Development**"). CICC Qianhai Development is owned as to 55% by CICC Capital, as the sole largest shareholder.

Henan CICC Huirong Fund Management Co., Ltd. (河南中金匯融基金管理有限公司) ("**Henan CICC Huirong**") is the general partner of and has control over Henan Zhanxin. Henan CICC Huirong is owned as to 50% by CICC Capital.

CICC Qizhi (Shanghai) Equity Investment Management Co., Ltd.* (中金祺智(上海)股權投資管理有限公司) ("**Qizhi Management**") is the general partner of CICC Haoze. CICC Capital is interested in the entire equity interests of Qizhi Management through contractual arrangements. Further, CICC Haoze is owned as to approximately 93.05% by CICC Qizhi (Shanghai) Equity Investment Center Limited Partnership* (中金祺智(上海)股權投資中心(有限合夥)), which is controlled and managed by its general partner, CICC Private Equity Investment Management Co., Ltd.* (中金私募股權投資管理公司), a wholly owned subsidiary of CICC.

CICC Qianhai Development is the general partner of Xinyu Unicorn.

CICC Capital is wholly owned by CICC. CICC is a listed company on the Stock Exchange (Stock code: 03908).

As such, immediately following the completion of [**REDACTED**] (assuming [**REDACTED**] is not exercised), CICC Capital and CICC are deemed under the SFO to be interested in the aggregate of [**REDACTED**]]% of the total issued share capital of our Company held by Bole No. 1, Baima No. 4, Henan Zhanxin, CICC Haoze and Xinyu Unicorn.

Save as disclosed above and in the section headed "Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix VI to this document, our Directors are not aware of any person who will, immediately following the completion of [**REDACTED**] and assuming that [**REDACTED**] is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 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 any member of the Group.

As of the Latest Practicable Date, the registered share capital of our Company is RMB1,500,000,000, divided into 1,500,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming [**REDACTED**] is not exercised, the share capital of our Company immediately after [**REDACTED**] will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
[**REDACTED**]	Domestic Shares in issue[1]	[**REDACTED**]%
[**REDACTED**]	H Shares to be converted from Domestic Shares[2]	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Total	100.00%

Assuming [**REDACTED**] is exercised in full, the share capital of our Company immediately after [**REDACTED**] will be as follows:

Number of Shares	Description of Shares	Approximate percentage to total share capital
[**REDACTED**]	Domestic Shares in issue[1]	[**REDACTED**]%
[**REDACTED**]	H Shares to be converted from Domestic Shares[2]	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Total	100.00%

Notes:

(1) Including all or part of domestic shares held by Mr. Yu, Mr. Tian Jianzhang, Mr. Chen Dezhong and Mr. Li Hongwei that will not be converted into H Shares upon [**REDACTED**]. Mr. Yu is the Controlling Shareholder and the Director of our Company. Our Company considers that the fact Mr. Yu continues to hold domestic shares demonstrates the confidence of Mr. Yu in the development prospects of our Company and his dedication to our Company's growth. The decision made by Mr. Tian Jianzhang, Mr. Chen Dezhong and Mr. Li Hongwei to continue to hold Domestic Shares in our Company upon [**REDACTED**] is out of their respective own will.

(2) Subject to the approval of the CSRC and the Stock Exchange, those Domestic Shares shall be converted into H Shares upon [**REDACTED**], details of which are set out in the sub-paragraph headed "Conversion of Our Domestic Shares into H Shares — Full-circulation Application for Conversion of Certain Domestic Shares into H Shares" below.

CLASS AND RANKING OF SHARES

After the completion of [**REDACTED**], we have two classes of ordinary shares, namely Domestic Shares and H Shares, and they shall rank *pari passu* with each other in all respects. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange. Domestic Shares and H Shares are regarded as different classes of Shares, further details of which are set out in the section headed "Summary of the Articles of Association" in Appendix V to this document.

According to the Articles of Association, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of our Shareholders and by a separate class meeting of class Shareholders convened by the relevant class Shareholders. Circumstances where a general meeting and/or a class meeting is required is summarized in the section headed "Summary of the Articles of Association" in Appendix V to this document. However, a class meeting is not required under circumstances set forth below:

- issue of Domestic Shares or H Shares of not more than 20% of Domestic Shares or H Shares in issue, respectively, either separately or concurrently within a period of 12 months, pursuant to approval by way of a special resolution of the general meeting of our Shareholders;

- proposed issue of Domestic Shares and H Shares at the time of the establishment of our Company, pursuant to approval of the securities regulatory authority of the State Council and provided that such proposed issue will be completed within 15 months since the date of such approval; and

- other circumstances as stipulated in relevant PRC laws, regulations and the Articles of Association.

For further details, please refer to the section headed "Summary of the Articles of Association" in Appendix V to this document.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

TRANSFER OF SHARES ISSUED PRIOR TO [REDACTED]

The PRC Company Law provides that (i) where a limited liability company converted into a joint stock limited company, its shares shall not be transferred within one year from the date of its conversion, (ii) in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to [**REDACTED**] shall be subject to this statutory restriction and not be transferred within one year from [**REDACTED**].

Directors, Supervisors and senior management shall notify the Company of the Shares they hold and any changes therein. During their respective tenure of office, any Shares transferred by any of the Company's Directors, Supervisors and senior management in any year shall not exceed 25% of the relevant individual's total Shares in the Company. Shares held by any Director, Supervisor or senior management shall not be transferred within one year from [**REDACTED**] and within six months from the date on which he or she ceases to be a Director, Supervisor or senior management of our Company.

[**REDACTED**]

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

According to our Articles of Association, general meetings are required under the following circumstances and must be passed by shareholders representing two-third or more of the voting rights: (i) increase or reduction of the share capital, repurchase of the Company's shares and issue of shares of any class, stock warrants or other similar securities; (ii) the division, merger, dissolution, liquidation or change of corporate forms of the Company; (iii) issuance of bonds or other securities; and (iv) amendments to the Articles of Association.

For further details, please see the sub-section headed "Summary of the Articles of Association — General Meeting of Shareholders" in Appendix V to this document.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information as of and for each of the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022 and the accompanying notes included in the Accountant's Report set out in Appendix I to this document ("Historical Financial Information"). Historical Financial Information has been prepared in accordance with HKFRS, which may differ in material aspects from generally accepted accounting policies in other jurisdictions. Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

[**REDACTED**] ***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 our business, please refer to "Risk Factors."***

OVERVIEW

As a company that has specialized in fresh fruit retailing for over 20 years, we have accumulated our insights and understanding on the uniqueness of fruits and our industry, and have built our business model upon these understandings, which include the management over upstream supply chain, a comprehensive fruit quality classification system for fruit products, standardized management system across the entire industry value chain, and the franchise business model with OMO and store-as-warehouse features.

Pagoda is a China Well-known Trademark. Moreover, we own a number of fruit product brands and channel brands in China. We have developed first of its kind flavor-oriented fruit quality classification system for fruit products, which allows us to identify high-quality fruit using objective and quantifiable measures to create a consistent and pleasant consumption experience for consumers. It also forms a barrier to entry by educating the consumers to understand and appreciate the premium value of high-quality fruit products. We have launched the instant refund service, which has enhanced consumer satisfaction.

We operate the largest community-based fruit specialty franchise network with OMO and store-as-warehouse features in China. As of the Latest Practicable Date, our offline store network had a total of 5,613 stores located in over 140 cities covering 22 provinces and municipalities across China, among which 5,594 were franchised stores. In addition, we also sell products through other multiple distribution channels including self-operated stores, regional dealers and online channels. We engage in direct sales and on a small scale, wholesale business. The number of our members accumulated through various distribution channels had reached over 72 million. The average number of MAU in 2021 exceeded 7 million. As of the Latest Practicable Date, we had accumulated over 910 thousand paying members.

Our revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, and increased by 16.2% to RMB10,289.4 million in 2021. Revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million in the corresponding period in 2022. Our gross profit decreased by 7.9% from RMB876.4 million in 2019 to RMB807.4 million in 2020, and increased by 43.2% to RMB1,156.4 million in 2021. Our gross profit margin was 9.8%, 9.1% and 11.2% in 2019, 2020 and 2021, respectively. Gross profit increased by 12.7% from RMB601.2 million for the six months ended June 30, 2021 to RMB677.4 million in the corresponding period in 2022. Gross profit margin was 10.9% and 11.5% in the six months ended June 30, 2021 and 2022, respectively.

BASIS OF PREPARATION

Our Company was incorporated in the PRC on December 3, 2001 as a limited liability company under the PRC Company Law. In preparation for [**REDACTED**], the Company was converted to a joint stock company with limited liability on April 10, 2020. The Historical Financial Information has been prepared in accordance with the HKFRS and is presented in Renminbi.

All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR BUSINESS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General Economic Conditions, Industry Demand and Competition in China

Our ability to increase sales and grow our revenue is driven largely by the increasing demand in China for high-quality fresh fruits, vegetables and other fresh grocery products. Such demand, in turn, is dependent upon overall economic conditions in China. General economic factors, including the level of per capita disposable income, inflation rate, and the consumer price index, may affect consumers' willingness and ability to purchase our products. In addition, the economic growth and increasing per capita disposable income in China in the past decade have driven the consumption upgrade, improved people's living standards and raised the awareness of healthy lifestyle. People pay more attention to food safety and food source, and are willing to pay a premium for high-quality products.

Furthermore, the demand for our products is also affected by the competition in our industry. We mainly operate in a fragmented and highly competitive fruit retail industry. Our competitors include traditional markets, modern retail operators (including supermarkets, fresh food supermarkets and convenience stores), e-commerce operators, and fruit specialty retail operators (including national fruit specialty chain retail, regional fruit specialty chain retail and mom-pop stores). We compete with these competitors for consumers on a combination of factors, primarily product selection, quality, shopping experience and convenience, customer engagement, desirable store location, price and delivery options. Our success will continue to depend on our ability to further penetrate the market by occupying a broader price range and offer the products that appeal to our consumers' preferences.

Our Ability to Execute Our OMO Strategy and Further Improve Operating Efficiency

We endeavor to execute our OMO strategy and eventually establish an omni-channel model that offers a broad and seamless integration of online and offline shopping experience. We have been in the past benefited from the expansion of our distribution channels. We have also identified a number of new retail opportunities, such as establishing our presence on leading social commerce platforms and fostering cooperative relationships with influencers and KOLs as well as with major food delivery platforms.

However, carrying out our OMO strategy can be costly and involve uncertainties. For example, we have incurred, and expect to continue to incur, costs and expenses to upgrade our information technology systems to support the omni-channel model. We have also invested in various online content marketing and membership marketing activities to, on one hand, acquire online consumers, and on the other, drive online traffic to experience offline shopping at the retail stores. We have also been in the process of further improving the standardized operations of the retail stores, such as upgrading their POS system and optimizing in-store warehousing designs, enabling such stores to quickly adapt to the OMO retail scenarios. We have implemented a standardized store performance evaluation system to facilitate us to monitor and improve store management. Our OMO strategy, nevertheless, may not be successful and our investments in this regard may not deliver the economic returns as we anticipate.

Moreover, along with our continuous growth, we expect that our results of operations will in part be affected by our ability to improve operational efficiency and achieve economies of scale, which in turn, mainly relies on our ability to control costs and expenses. During the Track Record Period, costs of inventories sold, mainly representing our procurement costs of fruits, were the largest component of our cost of sales, accounted for 96.2%, 95.2% and 95.3% of total cost of sales for the years ended December 31, 2019, 2020 and 2021, respectively. Costs of inventories sold accounted for 95.6% and 95.3% of total cost of sales for the six months ended June 30, 2021 and 2022, respectively. We expect such cost in absolute amount will continue to increase as our business continues to grow. We will continue to identify and collaborate with more high-quality fruit suppliers, in particular, those with the capacity to supply fruits that meet the quality standards of our Excellent and Grade A categories. Such fruits are able to enhance consumer loyalty, and increase profitability driven by brand premium. Also refer to "— Variety, Availability and Costs of Fruits" below. On the other hand, we also intend to further increase our bargaining power arising from our centralized procurement. Furthermore, labor costs, mainly those employees working at our preliminary processing and distribution centers, comprised a large portion of our cost of sales during the Track Record Period. We also experienced increases in salaries and staff welfare for our selling and marketing, administrative as well as research and development staff, mainly because of the increase in average annual employee benefit expenses of senior management and the proportion of higher average annual employee benefit expenses, such as those of our IT staff. We anticipate such staff costs and expenses will continue to increase as our business continues to grow. To this end, we aim to enhance our cost efficiency and profit margins by improving our operational efficiency, such as increasing the automation level in our logistic and warehousing processes, upgrading our IT systems and accelerating the digitalization of all material aspects with respect to our operations.

Sustainable Development of The Franchised Stores and Their Ability to Profit

Our revenue is largely affected by the number and performance of the franchised stores. In particular, the number of newly opened franchised stores and their performance have a continuing impact on our revenue derived from sales of products and royalty and franchising income. Historically, revenue contributed by all of the franchised stores, including revenue derived from sales of goods and royalty and franchising income, decreased from RMB7,871.7 million in 2019 to RMB7,440.5 million in 2020. Revenue contributed by franchised stores then increased to RMB8,287.3 million in 2021. Revenue derived from sales of fruits and other products contributed by franchised stores increased by 5.6% from RMB4,356.7 million for the six months ended June 30, 2021 to RMB4,602.8 million in the corresponding period in 2022. Such revenue accounted for approximately 87.7%, 84.0%, 80.5%, 78.8% and 78.1%, respectively, of our total revenue in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The slight decrease from 2019 to 2020 was a net impact of the decrease in daily average revenue of sales of product per franchised store supervised by us as an adverse result of the COVID-19 pandemic, partially offset by a net increase of 192 franchised stores supervised by us. Since the COVID-19 pandemic was generally under control in 2021, revenue from sales of fruits and other food products recovered gradually in daily average revenue of sales of product per franchised store supervised by us and there was a net increase of 362 franchised stores supervised by us in 2021. In 2019, 2020 and 2021, there were 928, 695 and 865 newly opened franchised stores, respectively, which included 461, 192 and 362 franchised stores supervised by us, respectively. In the six months ended June 30, 2022, there were 431 newly opened franchised stores, 343 of which were supervised by us. We had penetrated in over 140 cities in 22 provinces and municipalities in China as of the Latest Practicable Date. Thus, our ability to continue to identify and cooperate with quality and capable franchisees is critical to our future revenue growth.

The performance of a franchised store typically depends on our brand recognition, the store's maturity, location, consumer traffic, product offerings, competition in its community, spending propensity and disposable income of its targeted consumers. In addition, the ability of franchisees to operate the franchised stores also varies from person to person. A new franchised store is generally subject to a series of adjustments during the start-up period that is typical for newly opened retail stores, therefore, it requires a certain period of time to reach expected operating levels.

Moreover, since 2018, we commenced to cooperate with regional dealers who facilitate us to identify and refer qualified franchisees to us. We delegate to the regional dealers certain managerial responsibilities over the franchised stores operated by the franchisees referred by them in designated regions. Regional dealers also purchase products from us and re-sell to the franchised stores under their management. The abilities of these regional dealers to identify qualified franchisees and to manage the franchised stores in compliance with our standards and requirements are significant to the performance of the franchised stores, which in turn, affect our revenue.

We provide various financial supports, including loans to franchisees and financing under factoring arrangements to regional dealers, so as to attract franchisees and sustain the effective and stable development of our store network. The franchisees and regional dealers typically use the proceeds from sales of our products to repay the outstanding loans and factoring amounts from us. Therefore, if a franchised store experiences poor performance, it may fail to repay part or all of such outstanding amounts and procurements from us. If a large number of franchised stores and regional dealers experience such poor performance at the same time, our credit risks may increase and the outstanding amounts due from franchisees and regional dealers, including procurement and loans, may also increase. For more details about our franchise arrangements with franchisees, see "Business." The ability of the franchised stores to profit will continue to have an impact on our revenue.

Lastly, the offline store network's geographic coverage and degree of penetration also have affected our operational and financial performance. For example, stores located in more developed cities typically record higher average daily sales, mainly as a result of greater purchasing power of local residents, more advanced delivery services and stronger brand recognition in those areas. During the Track Record Period, in terms of number of franchised stores supervised by us and self-operated stores (calculated as the average of the number of stores at the beginning and ending of the year/period), the proportion of the stores located in first-tier cities out of total stores was 36.7%, 36.1%, 34.7% and 33.2% in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. However, in terms of revenue contribution, those stores accounted for 43.5%, 40.7%, 37.1% and 36.2%, respectively, of revenue of total stores over the same periods. We intend to continue to penetrate in first- and second-tier cities and to explore market opportunities in more lower-tier cities at the same time.

Variety, Availability and Costs of Fruits

Our revenue derived from sales of fruits amounted to RMB8,448.1 million, RMB8,329.5 million and RMB9,485.2 million, respectively, in 2019, 2020 and 2021, accounting for 96.5%, 96.4% and 95.0%, respectively, of total revenue from sales of fruits and other food products over the same periods. Revenue derived from sales of fruits amounted to RMB5,164.2 million and RMB5,449.3 million, respectively, for the six months ended June 30, 2021 and 2022, accounting for 96.2% and 95.1%, respectively, of total revenue from sales of fruits and other food products over the same periods. As such, our ability to source more delicious and affordable fruits is critical to maintain our reputation and market position. In addition, leveraging our fruit quality classification system for fruit products, we are able to price differently based on different quality levels of fruits, allowing us to maximize the value of fruits and achieve good value-for-money. Among others, fruits under our categories of Excellent and Grade A are in higher quality conditions and generally have a higher selling price and margin. Therefore, our ability to continue to source and offer a variety of fruits, especially those higher quality types that are rare in the market, is of extreme importance for us to attract consumers, boost sales and increase our market share. Lastly, intensified competition in our industry may also cause us additional costs and expenses to secure high-quality suppliers.

Availability and procurement costs of fruits are subject to substantial volatility that is beyond our control. Cultivation of fruits is vulnerable to extreme weather conditions and unexpected natural disasters, which can reduce fruit yield and quality. In addition, the stable supply of a particular type of fruits may also be interrupted by crop diseases and pest infestations. Under certain circumstances, availability and procurement costs of fruits may also be materially and adversely affected by events other than natural disasters. For example, due to the COVID-19 outbreak since the end of 2019, the retail industry nationwide have been interrupted by temporary disruptions to regional logistic services and retail stores in many affected cities were forced to temporarily close, both of which were mainly caused by the precautionary measures imposed by local governments.

Unstable or reduced supply of a particular type of fruits will increase our procurement costs due to the additional expenses incurred by the suppliers or intensified competition. As such, if we are not able to pass on such increased costs to our consumers, our profitability may be adversely affected. On the other hand, if we are not able to properly price the fruit products at such level that remains acceptable by our consumers, we may lose sales opportunities.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

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 Accountant's Report included in Appendix I to this document. Some of our accounting policies involve subjective assumptions, estimates and 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 to the Accountant's Report included in Appendix I to this document for a detailed discussion of our significant accounting policies.

Basis of consolidation

In the normal course of business of our Group with franchisees, rights and obligations of the two parties are stipulated by the respective franchising agreements. Our Group exercises judgement in determining whether our Group has the power to control and therefore should consolidate the franchisees. In consideration of such matter, management considered whether we are exposed, or have rights, to variable return from our Group's involvement with the franchisees and have the ability to affect those returns through our power over the franchisees. Management also consider whether our Group obtain benefit (including non-financial benefits) from our power to control the franchisees. Based on our Group's analysis on various areas, including but not limited to the collection of sales proceeds, design of the customer loyalty program and the costs and expenses in relation to the store opening, price setting, product mix determination, determination of store location, the extent of group-wide promotion activities and interest-free and interest-bearing financing, our management is of the view that our Group does not control the critical relevant activities of the franchisees and is subject to a lower degree of variability in return. Therefore, management considers that it is appropriate for our Group not to consolidate the franchisees in the presentation of the historical financial information.

Revenue Recognition

Revenue is recognized when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. Revenue is recognized when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services.

Management performs assessment at contract inception to identify performance obligations for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, we consider all the products and services promised in the contract with the customer based on our customary business practices, published policies, or specific statements.

Control of the goods or service is transferred over time if our performance: (i) provides all of the benefits received and consumed simultaneously by the customer; (ii) creates or enhances an asset that the customer controls as we perform; or (iii) does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or service transfers over time, revenue is recognized over the period by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or service.

Sales of fruit and other food products — regional dealers and franchised stores

We sell fruits and other food products to regional dealers, who manage certain franchised stores in exclusive regions by following our store management standards, and also directly to franchisees in other regions. Revenue is recognized when control of the products has been transferred, being when the products are delivered to the customer, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Upon the transfer of products to regional dealers and franchisees, they are regarded as the principal as they would control the products before the products are sold to franchisees or sold to end consumers, respectively.

No significant element of financing is deemed present as the sales are made with a credit term of up to 90 days.

It is our policy that the franchisees sell the products to the end consumers with right of return, part of which cost is allocated and borne by us. The fees payable by us are regarded as the variable consideration and a refund liability is recognized for the expected costs that will be borne by us. Accumulated experience are used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price. The validity of this assumption and the estimated amount of rebates are reassessed at each reporting date.

Sales of fruit and other food products — self-operated stores

We operate several retail stores selling fruits and other food products. Revenue from the sale of goods is recognized when the control of the product is transferred to the end consumers. Payment of the transaction price is due immediately when the customer purchases the fruits and other food products and takes delivery in store.

Royalty and franchising income

The royalty fee represents the majority of the monthly fee and is determined based on a predetermined progressive rate as a percentage of the applicable franchisee's stores gross profits. Royalties and other fees are generally invoiced and settled on a monthly basis. We apply "sales-based royalty" under HKFRS 15 to recognize the revenue when the related franchisee sales occur.

Our franchise agreements also typically include certain less significant, initial franchise fees. Initial franchise fees represent pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application, general management training and pre-opening marketing and so on. Those services are highly interrelated with the franchise right and are not individually distinct from the ongoing services provided to the franchisees. As a result, initial franchise fees are recognized on a straight line basis over the expected franchise period.

A contract liability is our obligation to transfer the promised goods to a customer for which we have received consideration (or an amount of consideration is due) from the customer. Unrecognized initial franchise fees are recognized as contract liabilities in the consolidated financial statements.

Starting from 2019, we undertook certain costs in relation to pre-opening capital expenditure including decoration and purchasing equipment in return for a higher monthly royalty rate from certain franchisees. These amounts do not represent distinct goods or services provided to the franchisees and are accounted for as a reduction of the royalty income on a straight-line basis over the expected franchise period. The unrecognized portion is recognized as other prepayment in the consolidated statements of financial position.

Membership income

We initiated the paid membership plan since late 2018. End customers of franchisees may subscribe to the paid membership for a 12-month period at a fixed fee payable to us. The paying members will enjoy discounts from the purchases at offline retail stores equivalent to at least the membership fee paid. Otherwise, we will refund to the end consumers for any shortfall. Revenue is recognized in the same period when the obligations to refund to the end consumers expire.

Trading of fruits

We trade fruit products under short term contracts to domestic and overseas corporate customers. Revenue is recognized when control of the products has been transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

No significant element of financing is deemed present as the sales are made with a credit term of up to 90 days. If the prepayments have been made by customers for the products to be delivered, a contract liability is recognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Property, Plants and Equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 years
Leasehold improvements	Shorter of lease term or 5 – 10 years
Plant and machinery	5 – 20 years
Furniture and equipment	3 – 5 years
Motor vehicles	4 years
Mature fruit trees	10 – 20 years

Our fruit trees qualify as bearer plants under the definition in HKAS 41 "Agriculture" and are therefore accounted for under the rules for plant and equipment. Fruit trees are classified as immature until the produce can be commercially harvested which usually takes two to four years. At that point they are reclassified and depreciation commences. Immature fruit trees are measured at accumulated cost less impairment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains, net" in the consolidated statements of profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. We hold the trade receivables with the objective of collecting the contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method.

Trade and Other Payables

These amounts represent liabilities for goods and services provided to us prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when we have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For more details about the accounting policies in relation to our impairment of goodwill, please refer to Note 2.10 to the Accountant's Report included in Appendix I to this document.

In addition, there are a number of assumptions adopted in these calculations required the use of judgements and estimates and the recoverable amounts of our Group's cash generating unit have been determined based on value-in-use calculations. For a detailed discussion about the determination of goodwill during Track Record Period and the underlying assumptions, including goodwill in relation to Youuolian and Younonggdao we acquired, please refer to Note 18 to the Accountant's Report included in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statements of profit or loss and other comprehensive income of our Group with line items in absolute amounts and as percentages of total revenue for the periods indicated:

	Year ended December 31,						**Six Months Ended June 30,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Revenue	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0
Cost of sales	(8,099,777)	(90.2)	(8,046,263)	(90.9)	(9,132,939)	(88.8)	(4,924,177)	(89.1)	(5,237,328)	(88.5)
Gross profit	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5
Other income	59,484	0.7	49,195	0.6	34,559	0.3	18,295	0.3	29,526	0.5
Other gains, net	34,046	0.4	28,203	0.3	8,055	0.1	7,635	0.1	7,676	0.1
Selling expenses	(344,863)	(3.8)	(394,593)	(4.5)	(451,730)	(4.4)	(220,561)	(4.0)	(246,184)	(4.2)
Administrative expenses	(236,871)	(2.6)	(215,591)	(2.4)	(302,612)	(2.9)	(154,094)	(2.8)	(152,672)	(2.6)
Research and development expenses	(59,252)	(0.7)	(106,053)	(1.2)	(139,742)	(1.4)	(65,222)	(1.2)	(86,280)	(1.5)

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Net (provision)/net reversal of impairment loss on financial assets	(11,048)	(0.1)	(20,891)	(0.2)	(5,370)	(0.3)	(11,783)	(0.2)	754	0.0
Operating profit	317,852	3.5	147,700	1.7	299,596	2.9	175,517	3.2	230,213	3.9
Finance income	3,031	0.0	12,192	0.1	24,091	0.2	5,137	0.1	15,423	0.3
Finance costs	(44,673)	(0.5)	(52,065)	(0.6)	(78,190)	(0.8)	(33,781)	(0.6)	(43,499)	(0.7)
Finance costs, net	(41,642)	(0.5)	(39,873)	(0.5)	(54,099)	(0.5)	(28,644)	(0.5)	(28,076)	(0.5)
Share of (losses)/profit of associates and joint ventures, net	(7,529)	(0.0)	(9,763)	(0.1)	16,483	0.2	9,536	0.2	9,444	0.2
Losses on the impairment of an associate	–	–	(26,354)	(0.3)	–	–	–	–	–	–
Profit before income tax	268,681	3.0	71,710	0.8	261,980	2.5	156,409	2.8	211,581	3.6
Income tax expenses	(20,384)	(0.2)	(26,052)	(0.3)	(36,164)	(0.3)	(20,363)	(0.4)	(21,498)	(0.4)
Profit for the year/period	248,297	2.8	45,658	0.5	225,816	2.2	136,046	2.5	190,083	3.2
Profit is attributable to:										
Owners of the Company	249,453	2.8	49,063	0.6	234,798	2.3	141,462	2.6	198,985	3.4
Non-controlling interests	(1,156)	(0.0)	(3,405)	(0.0)	(8,982)	(0.1)	(5,416)	(0.1)	(8,902)	(0.2)
	248,297	2.8	45,658	0.5	225,816	2.2	136,046	2.5	190,083	3.2
Other comprehensive (loss)/income										
Items that will not be subsequently reclassified to profit or loss										
Share of other comprehensive income of investments in associates and joint ventures	84	0.0	–	–	–	–	–	–	–	–
Changes in the fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	38,419	0.4	9,629	0.1	(49,437)	(0.5)	(58,077)	(1.1)	(822)	(0.0)
Income tax relating to these items	(9,578)	(0.1)	524	0.0	5,884	0.1	5,994	0.1	(500)	(0.0)
Other comprehensive income/(loss) for the year/period, net of tax	28,925	0.3	10,153	0.1	(43,553)	(0.4)	(52,083)	(1.0)	(1,322)	(0.0)
Total comprehensive income for the year/period	277,222	3.1	55,811	0.6	182,263	1.8	83,963	1.5	188,761	3.2

Non-HKFRS Measures — Adjusted Net Profit and Adjusted Net Profit Margin

To supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also present adjusted net profit and adjusted net profit margin as additional financial measures, which are not required by, or presented in accordance with HKFRS. Adjusted net profit, as we present it, represents profit for the year/period before [**REDACTED**] expenses. We defined adjusted net profit as net profit for the year/period adjusted by adding back [**REDACTED**] expenses. [**REDACTED**] expenses are expenses in relation to [**REDACTED**] and our previous [**REDACTED**] preparation, including the A-share Listing Preparation, which we consider are non-recurring in nature for future periods. For more details, please refer to the section headed "Our History and Development." We believe that the presentation of non-HKFRS measures, when shown in conjunction with the corresponding HKFRS measures, provides useful information to investors and management.

While these non-HKFRS measures provide additional financial measures for investors to assess our operating performance, the use of these non-HKFRS measures has certain limitations because they do not reflect all items of income and expense that affect our operations. Our presentation of these non-HKFRS measures should not be construed as an inference that our future results will be unaffected by such unusual item.

These non-HKFRS measures should not be considered in isolation or construed as a substitute for analysis of HKFRSs financial measures. In addition, because they may not be calculated in the same manner by all companies, our adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) may not be comparable to the same or similarly titled measures presented by other companies.

The following table reconciles profit and net profit margin for the year/period under HKFRS to adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure), respectively, for the year/period indicated:

	Year Ended December 31,			Six Months Ended June 30,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit for the year/period	248,297	45,658	225,816	136,046	190,083
Add:					
[**REDACTED**] expenses in connection with previous [**REDACTED**] preparation	4,721	19,624	13,157	13,145	–
[**REDACTED**] expenses in connection with [**REDACTED**]	–	–	11,897	3,688	14,563
Adjusted net profit for the year/period (non-HKFRS measure)	253,018	65,282	250,870	152,879	204,646
Net profit margin	2.8%	0.5%	2.2%	2.5%	3.2%
Adjusted net profit margin (non-HKFRS measure)	2.8%	0.7%	2.4%	2.8%	3.5%

Without considering the impact of the [**REDACTED**] expenses, our adjusted net profit margin, a non-HKFRS measure, would have been 2.8%, 0.7%, 2.4%, 2.8% and 3.5% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, the majority of our revenue was derived from sales of products. We also derived royalty and franchising income from our franchised stores. Our total revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, and increased by 16.2% from RMB8,853.7 million in 2020 to RMB10,289.4 million in 2021. Revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million in the corresponding period in 2022. Fluctuations in our revenue during the Track Record Period were primarily due to the changes in revenue from sales of fruits and other products over the same periods.

Revenue generated from sales of fruits and other food products represented the majority portion of our total revenue, and amounted to RMB8,749.8 million, RMB8,636.8 million and RMB9,991.8 million in 2019, 2020 and 2021, respectively, representing approximately 97.5%, 97.6% and 97.1%, respectively, of total revenue over the same periods. Revenue generated from sales of fruits and other food products amounted to RMB5,367.2 million and RMB5,730.7 million for the six months ended June 30, 2021 and 2022, respectively, representing approximately 97.1% and 96.9% of total revenue over the same periods. The decrease from 2019 to 2020 was a net impact of the decrease in sales of offline retail stores as an adverse result of the COVID-19 pandemic and a decline in our average sales to franchised stores supervised by us, partially offset by a net increase of 192 franchised stores supervised by us. The increase from 2020 to 2021 was driven by a net increase of 362 franchised stores supervised by us and a recovery in sales of offline retail stores and hence, in our average sales to franchised stores supervised by us since the COVID-19 pandemic was gradually under control in 2021. Revenue generated from sales of fruits and other food products increased in the six months ended June 30, 2022 from the corresponding period was primarily due to a net increase in the number of retail stores. During the Track Record Period, the number of franchised stores supervised by us increased from 3,700 as of December 31, 2019 to 3,892 as of December 31, 2020, and further to 4,254 as of December 31, 2021. As of June 30, 2021 and 2022, there were 4,018 and 4,454 franchised stores supervised by us, respectively. In addition, revenue from sales of products to regional dealers was primarily affected by the purchase volume, which in turn, was attributable to the number of franchised stores supervised by regional dealers and the procurement ratio they allocated between us and other designated third party suppliers. Total number of franchised stores supervised by regional dealers were 602, 856, 980, 907 and 981 stores as of December 31, 2019, 2020 and 2021 and June 30, 2021 and 2022, respectively. Procurements by regional dealers from us increased significantly from 2020 to 2021. As of December 31, 2019, 2020 and 2021, we contracted 12, 14 and 13 regional dealers, respectively. As of June 30, 2021 and 2022, we contracted 14 and 13 regional dealers. respectively.

The following table sets out a breakdown of our revenue by operating segments, each expressed in the absolute amount and as a percentage of our total revenue, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Sales of fruits and other food products	8,749,826	97.5	8,636,814	97.6	9,991,758	97.1	5,367,150	97.1	5,730,693	96.9

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Royalty and franchising income	171,549	1.9	131,364	1.5	160,288	1.6	92,405	1.7	95,211	1.6
Membership income	46,062	0.5	54,454	0.6	77,670	0.8	33,961	0.6	42,820	0.7
Others[(1)]	8,696	0.1	31,061	0.3	59,659	0.5	31,908	0.6	45,997	0.8
Total	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0

Note:

(1) Mainly represents the income from system maintenance services provided to franchised stores.

We collect monthly royalty fee from each franchised store which is calculated as a certain percentage of the gross profit of the franchised store of that month subject to a pre-agreed progressive rate schedule. Since 2019, we have modified our franchise arrangements and considered both gross profit and rental expenses of the new franchised stores when determining the royalty fee rate. We believe this approach better balances the benefits of franchised stores located in different cities. For more details about the arrangements of franchise fee between us and our franchisees, see "Business — Fruit Specialty Retail Operator with OMO and Store-as-warehouse Features — Our Distribution Channels — Offline Retail Store Network — Franchised Stores." We also receive franchising income representing the one-off fixed upfront franchise fee for each newly opened franchised store, which is recognized over a period of five years. During the Track Record Period, our royalty and franchising income amounted to RMB171.5 million, RMB131.4 million and RMB160.3 million, respectively, in 2019, 2020 and 2021. Royalty and franchising income amounted to RMB92.4 million and RMB95.2 million, respectively, for the six months ended June 30, 2021 and 2022.

During the Track Record Period, aggregate royalty income amounted to RMB165.4 million, RMB122.0 million, RMB144.4 million, RMB85.0 million and RMB87.8 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. Over the same periods, franchising income amounted to RMB6.2 million, RMB9.4 million, RMB15.9 million , RMB7.4 million and RMB7.4 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022. The decrease in royalty income from 2019 to 2020 was also partially due to our royalty reduction policy since early 2020 to motivate our franchisees to help promote our self-operated mobile APPs as part of our online strategy. Sales derived from online orders via our mobile APPs fulfilled by just-in-time delivery, and sales derived from online orders through third-party food delivery platforms are sales revenue of the relevant store which processes and performs the order. Based on the number of such online orders processed by the franchised stores, we offer a progressive deduction amount from the relevant store's monthly gross profit before calculating its monthly royalty fee. The increase in royalty income from 2020 to 2021 was mainly a result of the overall increase in gross profit of our franchised stores during the mild recovery from the COVID-19. The increases in franchising income, on the other hand, were mainly due to the continuous increase in the number of franchised stores. In addition, this was also partially a result of the deferred revenue recognition of franchising income over a five-year term. Since we do not collect additional franchising income from franchisees upon the renewal of their franchise agreements, the total number of franchised stores increased for the six months ended June 30, 2022 comparing with the corresponding period in 2021, while the aggregate franchising income for these periods remained stable.

The following table sets out a breakdown of our royalty income and franchising income, respectively, by sales channels for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Royalty income					
– franchised stores supervised by us.	156,166	104,436	121,401	73,346	75,945
– franchised stores supervised by regional dealers	3,483	7,385	10,382	6,104	5,725
– regional dealers	5,711	10,141	12,633	5,575	6,163
Franchising income					
– franchised stores supervised by us.	4,650	6,611	11,525	5,272	5,136
– franchised stores supervised by regional dealers	646	1,748	3,232	1,552	1,686
– regional dealers	893	1,043	1,115	556	556
Total	171,549	131,364	160,288	92,405	95,211

Moreover, we initiated the Xinxiang ("心享") paid membership plan in 2018. Our existing members, despite their original membership level, may subscribe the paid membership for a 12-month period at a membership fee of RMB99 for a basic package or RMB199 for an upgraded package, respectively, and enjoy certain additional privileges. We commit that the paying members will save an amount no less than the membership fee they paid during their 12-month membership period. Otherwise, we will refund and make up for the shortfall. We had over 510 thousand, 390 thousand and 720 thousand paying members as of December 31, 2019, 2020 and 2021, respectively, and we recorded the membership income of RMB46.1 million, RMB54.5 million and RMB77.7 million in 2019, 2020 and 2021, respectively. The relatively smaller number of paying members as of December 31, 2020 was mainly due to a shift of our focus and reallocation of resources to the marketing and promotion of Panda.F brand which was launched in the fourth quarter of 2020 in response to the changing market conditions during the COVID-19 pandemic. It was also attributable to a decrease in consumer traffic visiting offline retail stores during the pandemic since the expansion of our paid membership program heavily relied on in-store services and promotion. The increase in paying members from 2020 to 2021 was mainly due to the launch of the RMB99 basic package since 2021 and the continued impact of COVID-19 in 2021. Mainly due to the relatively lower fee required and the wide variety of basic membership benefits offered by the basic package, it attracted a large number of new and existing paying members since its launch. As of June 30, 2022 and the Latest Practicable Date, among the total of approximately 815 thousand and 910 thousand paying members, 573 thousand and 741 thousand, respectively, were the RMB99 package subscribers. In addition, leveraging the growth of our Panda.F business in terms of the range of product and service offerings as well as the increasing maturity of online operations, we were able to offer more membership benefits in connection with our Panda.F business, which further increased the attractiveness of our membership plan. Membership income increased from RMB34.0 million for the six months ended June 30, 2021 to RMB42.8 million for the corresponding period in 2022. The number of paying members continued to increase over such period from 525.7 thousand as of June 30, 2021 to 815.1 thousand as of June 30, 2022, primarily resulting from the growth of our Panda.F business. Membership income fluctuated during the Track Record Period depending on various factors, including the number of paying members as well as consumption patterns of such paying members within their 12-month subscription period, which in turn affected the timing of our recognition of membership income.

Revenue from Sales of Products by Product Types

The following table sets forth the breakdown of our total revenue from sales of products by product types for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Fruits	8,448,076	96.5	8,329,487	96.4	9,485,163	95.0	5,164,156	96.2	5,449,333	95.1
Dried fruits	268,860	3.1	230,603	2.7	303,163	3.0	113,525	2.1	127,110	2.2
Other fresh groceries	32,890	0.4	76,724	0.9	203,432	2.0	89,469	1.7	154,250	2.7
Total revenue from sales of fruits and other food products	8,749,826	100	8,636,814	100	9,991,758	100	5,367,150	100.0	5,730,693	100.0

During the Track Record Period, we derived the majority of our revenue from sales of product, including fruits, dried fruits, and other fresh groceries. Among these, revenue from sales of fruits accounted for a substantial portion of our total revenue derived from sales of products. In 2019, 2020 and 2021, revenue from sales of fruits amounted to RMB8,448.1 million, RMB8,329.5 million and RMB9,485.2 million, respectively, accounting for 96.5%, 96.4% and 95.0%, respectively, of total revenue from sales of products over the same periods. The relatively lower revenue from sales of fruits and dried fruits in 2020 was primarily due to a net impact of the decrease in sales of offline retail stores as an adverse result of the COVID-19 pandemic and a decline in our average sales to franchised stores supervised by us, partially offset by a net increase of 192 franchised stores supervised by us. Since the COVID-19 pandemic was gradually under control in 2021, revenue from sales of fruits and dried fruits increased driven by a net increase of 362 franchised stores supervised by us and a recovery in our average sales to franchised stores supervised by us. The increase was also in part due to our OMO strategy to further develop our online channels. For the six months ended June 30, 2021 and 2022, revenue from sales of fruits amounted to RMB5,164.2 million and RMB5,449.3 million, respectively, accounting for 96.2% and 95.1% of total revenue from sales of products over the same periods, respectively. The increase was primarily due to an increase in the number of retail stores.

We also distribute a variety of other fresh groceries including non-standard items, such as vegetables, fresh meat and seafood products, and pre-packaged standard items such as grains and oils, dairy products and others. During the Track Record Period, revenue from sales of other fresh groceries amounted to RMB32.9 million, RMB76.7 million and RMB203.4 million, respectively, in 2019, 2020 and 2021. The continuous increases were primarily attributable to the full launch of our Panda.F brand in the fourth quarter of 2020 under which sales of other fresh groceries experienced a rapid growth during and after the COVID-19 outbreak. Such business continued to increase since its launch in the fourth quarter of 2020 and the year ended December 31, 2021. Revenue from sales of other fresh groceries experienced a significant increase from RMB89.5 million for the six months ended June 30, 2021 to RMB154.3 million for the corresponding period in 2022, primarily resulting from the growth of our Panda.F business.

Revenue from Sales of Products by Distribution Channels

We mainly distribute our products through offline store network, comprising franchised stores operated by franchisees recruited by ourselves or referred by our regional dealers and self-operated stores. We also distribute through online channels. In addition, we engage in direct sales to certain major customers and on a small scale, we engage in the wholesale business.

The following table sets out a breakdown of our revenue from sales of products by distribution channels, each expressed in the absolute amount and as a percentage of our total revenue from sales of products, for the periods indicated.

	Year Ended December 31,						**Six Months Ended June 30,**			
	2019		**2020**		**2021**		**2021**		**2022**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Franchised stores										
Franchised stores supervised by us	7,686,867	87.9	7,302,861	84.5	8,125,229	81.3	4,356,213	81.2	4,601,710	80.3
Other[(1)]	13,307	0.1	6,238	0.1	1,832	0.0	509	0.0	1,068	0.0
Sub-total	7,700,174	88.0	7,309,099	84.6	8,127,061	81.3	4,356,722	81.2	4,602,778	80.3
Self-operated stores	36,587	0.4	39,210	0.5	48,296	0.5	23,783	0.4	31,693	0.6
Others										
Regional dealers[(2)]	455,887	5.2	493,562	5.7	968,022	9.7	496,341	9.2	563,694	9.8
Direct sales	524,289	6.0	515,526	6.0	522,750	5.3	336,678	6.3	406,982	7.1
Online channels	32,889	0.4	279,417	3.2	325,629	3.2	153,626	2.9	125,546	2.2
	1,013,065	11.6	1,288,505	14.9	1,816,401	18.2	986,645	18.4	1,096,222	19.1
Total	8,749,826	100.0	8,636,814	100.0	9,991,758	100.0	5,367,150	100.0	5,730,693	100.0

Notes:

(1) Represented revenue derived from franchised stores supervised by regional dealers by selling certain goods to those franchised stores supervised by regional dealers. We generally do not engage in sales of fruits and other products to franchised stores supervised by our regional dealers.

(2) Represented revenue derived from sales of products to regional dealers.

We have established an extensive, well-managed nationwide retail network, comprising primarily franchised stores with a supplementary of self-operated stores. As of December 31, 2019, 2020 and 2021, there were a total of 4,307, 4,757 and 5,249 offline retail stores, respectively, comprising 5, 9 and 15 self-operated stores, 3,700, 3,892 and 4,254 franchised stores supervised by us and 602, 856 and 980 franchised stores supervised by regional dealers, respectively, as of the same dates. As of June 30, 2021 and 2022, there were a total of 4,937 and 5,451 offline retail stores, respectively, comprising 12 and 16 self-operated stores, 4,018 and 4,454 franchised stores supervised by us and 907 and 981 franchised stores supervised by regional dealers, respectively. The revenue contributed by the offline stores largely depends on the number of stores and their performance. Revenue decreased from RMB7,700.2 million in 2019 to RMB7,309.1 million in 2020, primarily due to a net impact of the decrease in sales of offline retail stores as an adverse result of the COVID-19 pandemic and a decline in our average sales to franchised stores supervised by us, partially offset by a net increase of 192 franchised stores supervised by us. Revenue contributed by franchised stores increased from RMB7,309.1 million in 2020 to RMB8,127.1 million in 2021, mainly as a result of the mild recovery from the pandemic which led to an increase in sales of products driven by a net increase of 362 franchised stores supervised by us and a recovery in our average sales to franchised stores supervised by us. Revenue contributed by franchised stores increased in the six months ended June 30, 2022 from the corresponding period in 2021 mainly as a result of a net increase of 436 franchised stores supervised by us over the same periods.

Annual average revenue from sales of products per franchised store supervised by us amounted to RMB2.3 million, RMB2.0 million and RMB2.0 million in 2019, 2020 and 2021, respectively. The decrease from 2019 to 2020 was primarily due to (i) a general decrease in sales due to the COVID-19 outbreak; (ii) increasingly competitive market environment arising from new retail models, such as community group buying, amid the COVID-19 pandemic; and (iii) the increase in proportion of franchised stores supervised by us located in second- and third- or lower tier cities as a result of our store network expansion; due to the stronger purchasing power in first-tier cities, daily average revenue from franchised stores supervised by us in first-tier cities would typically be higher than such stores located in second- and third- or lower tier cities. The increase in annual average revenue from 2020 to 2021 was primarily due to (i) the full launch of our Panda. F business since the fourth quarter of 2020, which drove more visits of consumers to our offline stores, and (ii) the mild recovery from the pandemic, partially offset by the increase in proportion of franchised stores supervised by us located in second- and third- or lower tier cities as a result of continuous store network expansion. Semi-annual average revenue from sales of products per franchised store supervised by us declined slightly in the six months ended June 30, 2022 comparing with the corresponding period in 2021, mainly due to the negative impact of COVID-19 quarantine policies in certain regional markets and partially offset by the growth of our Panda.F business which drove more customers into our offline stores. In 2019, the annual average revenue per franchised store supervised by us located in first-tier, second-tier, and third- and lower-tier cities amounted to RMB3.1 million, RMB1.7 million, RMB1.9 million, respectively. In 2020, the annual average revenue per franchised store supervised by us located in first-tier, second-tier, and third- and lower-tier cities amounted to RMB2.6 million, RMB1.5 million and RMB1.6 million, respectively. In 2021, the annual average revenue per franchised store supervised by us located in first-tier, second-tier, and third- and lower-tier cities amounted to RMB2.7 million, RMB1.7 million and RMB1.7 million, respectively. In the six months ended June 30, 2022, the average revenue per franchised store supervised by us located in first-tier, second-tier, and third- and lower-tier cities amounted to RMB1.5 million, RMB0.9 million and RMB0.9 million, respectively.

Currently, we generally do not engage in sales of fruits and other products to franchised stores supervised by our regional dealers, but we may sell certain goods, to those franchised stores supervised by regional dealers. The decreases in revenue derived from franchised stores supervised by regional dealers during the Track Record Period were primarily because we provided more assistance and support in sales of fruits and other products to such stores at an early stage when commencing the business with regional dealers, who needed less assistance and support of such kind along with their maturity. During the Track Record Period, based on our records of the total purchases by our regional dealers, which included the purchases from us and purchases from other third parties, annual average sales per store supervised by regional dealers was approximately RMB1.5 million, RMB1.3 million and RMB1.4 million in 2019, 2020 and 2021, respectively. The decrease from 2019 to 2020 was primarily due to (i) a general decrease in sales due to the COVID-19 outbreak, and (ii) increasingly competitive market environment arising from new retail models, such as community group buying, amid the COVID-19 pandemic. The increase from 2020 to 2021 was primarily due to the mild recovery from the pandemic. Semi-annual average sales per store supervised by regional dealers declined from approximately RMB782.6 thousand in the six months ended June 30, 2021 to RMB746.8 thousand in the corresponding period in 2022, mainly due to the negative impact of COVID-19 and partially offset by the growth of our Panda F. business which drove more customers into our offline stores. The average sales of products per franchised store supervised by regional dealers were generally lower than the average revenue from sales of products per franchised store supervised by us during the Track Record Period primarily because (i) none of the stores supervised by our regional dealers were located in first-tier cities, while approximately 36.7%, 36.1%, 34.7% and 33.2% of our retail stores, including our self-operated stores and all franchised stores supervised by us, were located in first-tier cities in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively, and (ii) the proportion of stores supervised by us that were located in China's major economic regions were generally higher than that of stores supervised by regional dealers.

The continuous increase in sales of products by self-operated stores from 2019 to 2021 was mainly due to the increase in number of self-operated stores. There were 5, 9 and 15 self-operated stores as of December 31, 2019, 2020 and 2021, respectively. In addition, annual average revenue from sales of products by self-operated stores amounted to RMB7.3 million, RMB4.4 million and RMB3.2 million, in 2019, 2020 and 2021, respectively. The decreases were primarily due to the change in overall store structure where the number of self-operated stores under Pagoda channel brand continued to increase while the number self-operated stores under Guoduomei channel brand remained unchanged. Given the different store positioning and operating strategies, average revenue of Guoduomei self-operated stores is typically higher than that of Pagoda self-operated stores. As of June 30, 2021 and 2022, there were 12 and 16 self-operated stores, respectively, and average revenue from sales of products by self-operated stores amounted to RMB2.3 million and RMB2.0 million for the six months ended June 30, 2021 and 2022, respectively.

We cooperated with regional dealers who facilitate us in identifying qualified franchisees and refer them to us. We also delegate to regional dealers certain managerial responsibilities over the franchised stores in designated areas and sell our products to regional dealers who subsequently re-sell to the franchised stores under their management. We allow our regional dealers to either procure from us or from our designated suppliers. We typically cooperate with regional dealers who have strong local resources, ample retailing experience and well-established operation teams. Pursuant to our arrangements, our regional dealers are also required to establish local preliminary processing and distribution centers following our quality standards and supply products to the franchised stores within their respective regions. This enables us to reduce our upfront investments when developing new regional markets. Other than the revenue from sales of products to regional dealers, we also receive royalty and franchising income from those franchised stores supervised by dealers. Revenue from sales of products to regional dealers was mainly affected by the purchase volume, which in turn, was attributable to the number of stores supervised by regional dealers and the procurement ratio they allocated between us and our designated suppliers. Total number of stores supervised by regional dealers were 602, 856, 980, 907 and 981 stores as of December 31, 2019, 2020 and 2021 and June 30, 2021 and 2022, respectively. Procurements by regional dealers from us increased significantly from 2020 to 2021.

In addition, we also engage direct sales to certain major customers, such as enterprises, restaurants and high-speed railway companies that have catering needs. On a limited scale, we also engage in fruit wholesale business through our subsidiaries, Haiyang Jinchengtai and Hainan Wangpin. Our wholesale customers are mainly large supermarkets and other fruit distributors. The increase in revenue from direct sales from 2020 to 2021 was primarily due to the development of direct sales business by taking advantage of community group buying and other new sales models we commenced in 2021. We accelerated the development of our direct sales business by establishing favorable pricing strategy in order to expand our corporate customer base. As a result, our revenue derived from direct sales increased by 20.9% for the six months ended June 30, 2022 from the corresponding period in 2021.

We have established online distribution channels comprising Pagoda mobile APPs, Pagoda WeChat mini-program, storefronts on mainstream e-commerce platforms such as Tmall and JD.com, as well as on popular social commerce platforms such as Douyin. In addition, we partner with third-party food delivery platforms, such as Meituan, Koubei and Ele.me, which provide instant delivery services. Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by next-day delivery, and sales derived from online orders through third-party e-commerce and social commerce platforms are counted as our revenue since such orders are processed and performed by us. Sales derived from online orders via our mobile APPs and WeChat mini-program fulfilled by just-in-time delivery, and sales derived from online orders through third-party food delivery platforms are sales revenue of the relevant store which processes and performs the order, and hence are grouped into revenue contributed by franchised stores and revenue from sales of products to regional dealers. The significant increase in revenue derived from online channels from RMB32.9 million in 2019 to RMB279.4 million in 2020 was primarily due to our operation of new online channels, such as Tmall, and the full launch of Panda.F during 2020, which addressed a large amount of online demands since the COVID-19 pandemic. Revenue derived from online channels decreased from RMB153.6 million for the six months ended June 30, 2021 to RMB125.5 million for the corresponding period in 2022, primarily because of our strategy to reduce our reliance on sales on third-party e-commerce and social commerce platforms and shift to our own Pagoda mobile APPs and Pagoda WeChat mini-program for Panda.F business. As a result, online sales for which revenue was recognized as our revenue on third-party e-commerce and social commerce platforms decreased by 47.7% from RMB95.4 million for the six months ended June 30, 2021 to RMB49.9 million for the corresponding period in 2022, while online sales for which revenue was recognized as our revenue on Pagoda mobile APPs and Pagoda WeChat mini-program for Panda.F business increased by 29.9% from RMB58.2 million for the six months ended June 30, 2021 to RMB75.6 million for the corresponding period in 2022.

Sales Volume and Revenue of Retail Stores and by Quality Classification Categories

The table below sets forth a breakdown of sales volume and revenue derived from sales of fruits and other food products at retail stores, including self-operated stores and all franchised stores, and by quality classification category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	kg'000	*%*	*kg'000*	*%*	*kg'000*	*%*	*kg'000*	*%*	*kg'000*	*%*
Sales Volume										
Excellent	35,820	7.1	32,590	6.6	35,917	7.1	16,244	6.4	17,549	7.0
Grade A	249,874	49.3	248,719	50.1	262,634	51.8	138,490	54.5	119,373	47.3
Grade B	160,840	31.7	154,626	31.2	158,139	31.2	72,835	28.7	87,567	34.7
Grade C	292	0.1	253	0.1	156	0.0	31	0.0	80	0.0
Other(1)	N/A	N/A	N/A	N/A	N/A	N/A	0	0.0	0	0.0
Guoduomei(2)	60,057	11.8	59,925	12.1	50,348	9.9	26,576	10.4	27,817	11.0
Total	506,883	100.0	496,113	100.0	507,194	100.0	254,176	100.0	252,386	100.0

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Revenue										
Excellent	711,522	9.2	725,258	9.9	884,704	10.8	482,834	11.0	528,545	11.4
Grade A	3,321,719	42.9	3,408,741	46.4	3,916,111	47.9	2,055,037	46.9	2,024,303	43.7
Grade B	2,493,582	32.2	2,090,679	28.5	2,130,082	26.1	1,175,913	26.8	1,381,498	29.8
Grade C	5,975	0.1	3,565	0.0	4,206	0.1	951	0.0	2,875	0.1
Other(1)	362,373	4.7	338,897	4.6	436,954	5.3	193,653	4.5	254,152	5.5
Guoduomei(2)	841,590	10.9	781,169	10.6	803,300	9.8	472,117	10.8	443,098	9.5
Total(3)	7,736,761	100.0	7,348,309	100.0	8,175,357	100.0	4,380,505	100.0	4,634,471	100.0

Notes:

(1) Products other than fresh fruits that were not classified under our quality classification categories.

(2) Products sold at the retail stores under Guoduomei brand are not classified under our quality classification categories.

(3) Revenue derived from sales of fruits and other food products contributed by all self-operated stores, franchised stores supervised by us and franchised stores supervised by regional dealers.

Revenue from Retail Stores by Geographic Regions

The table below sets forth a breakdown of the number of our retail stores, including self-operated stores and all franchised stores supervised by us, by city tiers for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	#[1]	%	#[1]	%	#[1]	%	#[1]	%	#[1]	%
First-tier cities	1,277	36.7	1,375	36.1	1,416	34.7	1,391	35.1	1,452	33.2
Second-tier cities	1,249	36.0	1,295	34.1	1,352	33.0	1,311	33.0	1,453	33.3
Third- and lower-tier cities	949	27.3	1,134	29.8	1,318	32.3	1,264	31.9	1,465	33.5
Total	3,475	100.0	3,804	100.0	4,086	100.0	3,966	100.0	4,370	100.0

Note:

(1) Calculated as the average of the number of stores at the beginning and ending of the year/period.

The table below sets forth a breakdown of revenue derived from retail stores by city tiers for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
First-tier cities	3,902,050	43.5	3,599,872	40.7	3,819,087	37.1	2,100,320	38.0	2,139,142	36.2
Second-tier cities	2,184,861	24.3	2,002,123	22.6	2,261,218	22.0	1,197,491	21.7	1,305,014	22.1
Third- and lower-tier cities	1,814,796	20.2	1,866,495	21.1	2,241,594	21.8	1,168,969	21.2	1,278,807	21.6
Other sales channels[1]	1,074,426	12.0	1,385,203	15.6	1,967,476	19.1	1,058,644	19.1	1,191,758	20.1
Total	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0

Note:

(1) Represented revenue derived from regional dealers, direct sales and online channels.

The table below sets forth a breakdown of annual average revenue per retail store, including those franchised stores supervised by us and self-operated stores, by city tiers for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2019	2020	2021	2021	2022
	RMB'000[(1)]	*RMB'000*[(1)]	*RMB'000*[(1)]	*RMB'000*[(1)]	*RMB'000*[(1)]
				(unaudited)	
First-tier cities	3,056	2,618	2,701	1,515	1,490
Second-tier cities	1,749	1,546	1,670	916	913
Third- and lower-tier cities	1,912	1,646	1,702	956	905
Average	2,274	1,963	2,037	1,141	1,104

Note:

(1) Calculated based on the aggregate revenue derived from retail stores divided by the average number of stores in the relevant year/period.

Annual average revenue per retail store across all tiers experienced a decrease in 2020 from 2019, which was primarily due to the impacts of the COVID-19 pandemic. Annual average revenue per retail store across all tiers generally increased in 2021 from 2020, which was mainly because (i) the COVID-19 pandemic was gradually under control, and (ii) fruit products we sold to franchisees were generally subject to a price increase in 2021. Semi-annual average revenue per retail store, including those franchised stores supervised by us and self-operated stores, across all tiers of cities remained stable for the six months ended June 30, 2021 and 2022.

Moreover, during the Track Record Period, average revenue per retail store located in second-tier cities was generally lower than average revenue per retail store located in third- and lower-tier cities. This was primarily because of the generally favorable store locations in the largely under-penetrated third- and lower-tier cities and competition in certain second-tier cities.

Revenue by Channel Brands

The table below sets forth a breakdown of revenue by channel brands for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Pagoda	8,136,255	90.6	8,043,495	90.8	9,462,094	92.0	5,036,567	91.2	5,455,504	92.2
Guoduomei	839,878	9.4	807,763	9.1	819,655	8.0	485,774	8.7	452,492	7.7
Other channel brands	–	–	2,435	0.1	7,626	0.0	3,083	0.1	6,725	0.1
Total	8,976,133	100.0	8,853,693	100.0	10,289,375	100.0	5,525,424	100.0	5,914,721	100.0

During the Track Record Period, the majority of our revenue was derived from retail stores under our Pagoda channel brand. The overall decrease in revenue derived from retail stores under both Pagoda and Guoduomei brands in 2020 from 2019 was primarily due to the impacts of the COVID-19 pandemic. The increase in revenue derived from retail stores under both Pagoda and Guoduomei brands in 2021 was mainly the result of the mild recovery from the COVID-19 pandemic. In addition, the increase in revenue derived from retail stores under Pagoda brand from 2020 to 2021 was also driven by an increase in the number of retail stores. The increase in revenue derived from retail stores under Pagoda brand in the six months ended June 30, 2022 from the corresponding period in 2021 was primarily due to a net increase in the number of stores.

Cost of Sales

Our cost of sales primarily consists of cost of inventories sold, delivery charges, employee benefit expenses, and other costs.

The following table sets forth the major components of our cost of sales in absolute amounts and as percentages of total cost of sales for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Cost of inventories sold	7,788,602	96.2	7,658,785	95.2	8,705,686	95.3	4,708,374	95.6	4,993,775	95.3
Delivery charge	131,769	1.6	189,979	2.4	198,641	2.2	98,934	2.0	107,972	2.1
Employee benefit expenses	86,549	1.1	90,522	1.1	94,527	1.0	41,766	0.8	37,975	0.7
Labor cost	12,639	0.2	28,507	0.4	43,301	0.5	22,316	0.4	35,963	0.7
Depreciation of right-of-use asset	19,728	0.2	16,250	0.2	31,115	0.3	13,910	0.3	17,072	0.3
Depreciation	14,772	0.2	21,352	0.3	19,662	0.2	8,652	0.2	10,107	0.2
Rental	14,391	0.2	15,641	0.2	13,590	0.2	7,390	0.2	8,288	0.1
Others[1]	31,327	0.3	25,227	0.2	26,417	0.3	22,835	0.5	26,176	0.5
Total cost of sales	8,099,777	100.0	8,046,263	100.0	9,132,939	100.0	4,924,177	100.0	5,237,328	100.0

Note:

(1) Includes office supplies, travelling expenses, utility expenses, vehicle expenses, tax and surcharges and others.

Our cost of sales fluctuated during the Track Record Period, which was in line with the fluctuation in revenue from sales of products in the relevant periods. Cost of inventories sold represented the purchase cost of the products we sold, which had constituted the majority portion of our total cost of sales. The proportion of cost of inventories of total cost of sales was relatively stable.

Delivery charges mainly represented the costs relating to the transportation from our preliminary processing and distribution centers to the stores and to the designated warehouses of the regional dealers, as well as the costs incurred by us in connection with delivery services to end consumers. Delivery charges increased significantly from 2019 to 2020 mainly due to our operation on new online channels, including Tmall, the launch of Panda.F in 2020, and our continuous penetration into low-tier cities. It increased from 2020 to 2021 because of our business growth and increase in sales of goods. As our business continued to grow, especially in lower-tier cities where logistics are less developed, delivery charges increased in the six months ended June 30, 2022 comparing with the corresponding period in 2021.

Employee benefit expenses included wages, salaries and benefits for personnel directly involved in our operating activities, mainly the employees working at our preliminary processing and distribution centers.

Comparing with fruit distribution business, our distribution of other fresh groceries requires more workers and working time for processing and packaging in the preparation for the orders under Panda.F. We delegate certain non-core work to outsourced labor force and as such, labor costs increased by 51.9% from RMB28.5 million in 2020 to RMB43.3 million in 2021, mainly attributed to the continuous growth of Panda.F business since its launch in the fourth quarter of 2020. Due to the same reasons, labor costs increased by 61.2% from RMB22.3 million for the six months ended June 30, 2021 to RMB36.0 million for the six months ended June 30, 2022.

Under HKFRS 16 "*Leases*", 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 rights to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. All of our preliminary processing and distribution centers and self-operated stores were located on leased properties. The depreciation of right-of-use assets was relatively stable from 2019 to 2020, primarily because there was no newly contracted long term lease. A significant increase from RMB16.3 million in 2020 to RMB31.1 million in 2021 was mainly due to the long-term lease contract in connection with our new processing and distribution center in Dongguan. We started to pay the monthly rental at RMB2.3 million since the second quarter of 2021. Due to the same reasons, the depreciation of right-of-use assets increased from RMB13.9 million for the six months ended June 30, 2021 to RMB17.1 million for the six months ended June 30, 2022.

Depreciation mainly represented the depreciation of property, plant and equipment mainly in connection with our preliminary processing and distribution centers. The depreciation expenses of RMB14.8 million, RMB21.4 million and RMB19.7 million for the years ended December 31, 2019, 2020 and 2021, respectively, included depreciation expenses of RMB7.7 million, RMB5.6 million and RMB1.4 million, respectively, derived from property, plant and equipment acquired upon acquisition of a subsidiary, namely Jinchengtai. The depreciation expenses increased from RMB8.7 million for the six months ended June 30, 2021 to RMB10.1 million for the six months ended June 30, 2022, primarily due to the depreciation in connection with the new processing and distribution center in Dongguan incurred since the second quarter of 2021.

Rental cost mainly represented short-term leases for our preliminary processing and distribution centers; increased in line with leased areas.

A sensitivity analysis on the fluctuation in cost of inventories sold during the Track Record Period is set forth below, which illustrates the hypothetical effects on our net profit with 1%, 2% and 3% increase or decrease in our cost of inventories sold. Because a number of assumptions have been applied, this sensitivity analysis is for illustration only, and actual results may differ from those illustrated below.

	Change in Net Profit for the Year due to the Change in Cost of Inventories Sold		
	+/-1%	**+/-2%**	**+/-3%**
	RMB'000	*RMB'000*	*RMB'000*
2019	77,886	155,772	233,658
2020	76,588	153,176	229,764
2021	87,057	174,114	261,171
Six months ended June 30, 2022	49,938	99,876	149,813

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 7.9% from RMB876.4 million in 2019 to RMB807.4 million in 2020, and gross profit margin decreased from 9.8% in 2019 to 9.1% in 2020. Gross profit increased by 43.2% from RMB807.4 million in 2020 to RMB1,156.4 million in 2021, and gross profit margin increased from 9.1% in 2020 to 11.2% in 2021. Gross profit increased by 12.7% from RMB601.2 million for the six months ended June 30, 2021 to RMB677.4 million in the corresponding period in 2022. Gross profit margin was 10.9% and 11.5% in the six months ended June 30, 2021 and 2022, respectively.

Gross Profit and Gross Profit Margin by Sales Channels

The following table sets out a breakdown of our gross profit and gross profit margin by major components of revenue and by sales channels, with respect to sales of fruits and other products, for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	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*	%
							(unaudited)			
Sales of fruits and other food products										
Franchised stores	523,747	6.8	516,230	7.1	746,843	9.2	376,885	8.7	419,978	9.1
Self-operated stores	9,955	27.2	10,837	27.6	13,170	27.3	6,263	26.3	8,860	28.0
Regional dealers	4,213	0.9	4,658	0.9	9,403	1.0	4,917	1.0	5,641	1.0
Direct sales	111,215	21.2	72,461	14.1	90,457	17.3	55,618	16.5	59,006	14.5
Online channel	919	2.8	(13,635)	(4.9)	(1,054)	(0.3)	(710)	(0.5)	(120)	(0.1)
Sub-total	650,049	7.4	590,551	6.8	858,819	8.6	442,973	8.3	493,365	8.6

	Year Ended December 31,						Six Months Ended June 30,			
	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*	*%*
							(unaudited)			
Royalty and franchising income(1)	171,549	100.0	131,364	100.0	160,288	100.0	92,405	100.0	95,211	100.0
Membership income(1)	46,062	100.0	54,454	100.0	77,670	100.0	33,961	100.0	42,820	100.0
Others(1)	8,696	100.0	31,061	100.0	59,659	100.0	31,908	100.0	45,997	100.0
Total	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5

Note:

(1) Since there is no costs recorded in connection with royalty and franchising income and membership income, gross profit margin of such respective components was 100% and our overall gross profit margin is affected by the proportions of each major components of our revenue.

Gross profit derived from sales of fruits and other food products to franchised stores fluctuated during the Track Record Period, which was largely in line with the fluctuation in revenue from sales of fruits and other food products contributed by franchised stores. Gross profit margin on sales of fruits and other food products to franchised stores was stable at 6.8% in 2019 and 7.1% in 2020, respectively. The significant increase from 7.1% in 2020 to 9.2% in 2021 was primarily because we raised selling prices towards franchisees, after considering the purchase costs, the maturity of our overall franchise network and stabilizing market environment in 2021 as the COVID-19 pandemic was gradually under control. Fruit products we sold to franchisees were generally subject to a price increase in 2021 which occurred throughout the year, which was also in part a result of the rising demand for our high-quality fruit products. For instance, from 2020 to 2021, the increase of selling prices per kilogram of our top five fruit products under Excellent category ranged from 4.1% to 11.2% and the increase of selling prices per kilogram of our top five fruit products under Grade A category ranged from 5.6% to 14.9%, respectively. Due to the price increase throughout 2021, as well as our increasing brand recognition and economies of scale, gross profit margin on sales of fruits and other food products to franchised stores increased from 8.7% for the six months ended June 30, 2021 to 9.1% for the six months ended June 30, 2022.

Gross profit margin on sales of fruits and other food products to self-operated stores remained relatively stable throughout the Track Record Period. Despite the fact that the annual average revenue derived from sales of products by self-operated stores declined during the Track Record Period, gross profit margin on sales of fruits and other food products to self-operated stores remained relatively stable, mainly because we adopt the cost-plus method to price the products sold to self-operated stores. The difference between the procurement costs of the products and the selling prices we marked up on such products at the self-operated stores was consistent during the Track Record Period. Through our self-operated stores, we sell our products to consumers at retail prices while bearing the costs and expenses in connection with store operation, whereas for franchised stores, we sell our products at a price discounted from retail prices, without bearing the operating expense of these stores. As a result, our self-operated stores generally have a higher gross profit margin than that of franchised stores supervised by us.

Gross profit margin on regional dealers was stable at 0.9%, 0.9%, 1.0%, 1.0% and 1.0% for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively. We typically set a relatively lower gross profit margin target for sales to regional dealers and adopt the cost-plus method to price the products sold to regional dealers, mainly in order to motivate them.

Gross profit margin on direct sales was relatively higher at 21.2% in 2019 than 2020 and 2021, which was mainly contributed by one of our subsidiaries, Jinchengtai, which engaged in wholesale business. Jinchengtai mainly sells apples to wholesale customers and the market price of apples was higher in 2019 due to extreme weather. Market price of apples subsequently declined in 2020 when its supply resumed to normal. If sales of Jinchengtai were excluded, gross profit margin of remaining direct sales would remain relatively stable at 11.2% and 11.5% in 2019 and 2020, respectively. During the Track Record Period, Jinchengtai contributed approximately 49.4%, 37.2% and 39.2% of our direct sales gross profit, in 2019, 2020 and 2021, respectively. Gross profit margin on direct sales decreased from 16.5% for the six months ended June 30, 2021 to 14.5% for the six months ended June 30, 2022, primarily as a result of our favorable pricing policies to expand our corporate customer base.

Gross profit margin on online channels decreased from 2.8% in 2019 to a negative 4.9% in 2020, mainly due to a change in our online strategy from selling high-end fresh groceries mostly to paying members in 2019 to selling more mass market fresh groceries and other products to all consumers in response to intensified competition along with the launch of Panda.F and our operation of self-operated online stores on Tmall and JD.com under the B2C model. Due to relatively lower gross profit margin on mass market fresh groceries and other products and an increase in delivery charges and packaging costs associated with increased online sales, we recorded a negative gross profit margin in 2020. The gross profit margin slightly improved to a negative 0.3% in 2021, primarily because we optimized product strategy and improved product mix with respect to our continuous operations of Panda.F and the B2C online channels. Gross profit margin on online channels was negative 0.1% for the six months ended June 30, 2022.

Gross Profit and Gross Profit Margin of Retail Stores by Quality Classification Categories

The table below sets forth a breakdown of gross profit and gross profit margin on sales of fruits and other food products at retail stores, including self-operated stores and all franchised stores, by quality classification category for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	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*	%
							(unaudited)			
Excellent	64,724	9.1	72,194	10.0	98,071	11.1	48,328	10.0	62,519	11.8
Grade A	240,956	7.3	283,461	8.3	405,697	10.4	198,537	9.7	207,864	10.3
Grade B	148,944	6.0	120,843	5.8	191,885	9.0	106,243	9.0	117,109	8.5
Grade C	(639)	(10.7)	(82)	(2.3)	(10)	(0.2)	14	1.5	(177)	(6.2)
Other[1]	33,230	9.2	24,844	7.3	29,567	6.8	10,473	5.4	19,536	7.7
Guoduomei[2]	46,487	5.5	25,807	3.3	34,803	4.3	19,553	4.1	21,987	5.0
	533,702	6.9	527,067	7.2	760,013	9.3	383,148	8.7	428,838	9.3

Notes:

(1) Products other than fresh fruits that were not classified under our quality classification categories.

(2) Products sold at the retail stores under Guoduomei brand are not classified under our quality classification categories.

Gross profit margin of our products under different categories fluctuated due to the different product mix in the relevant period. Generally speaking, products under higher quality classification carry a higher gross profit margin, representing strong market recognition on premium quality that the consumers are willing to pay.

Fruit products classified under Grade C are slightly damaged or overripe fruits which were previously under Grade A or B and are still edible. We reduce selling prices and sell these products at cost to prevent waste. Therefore, gross profit of our Grade C fruit products fluctuated during the Track Record Period, which generally derived a negative gross profit margin. Aggregate sales of Grade C fruit products however, accounted for a relatively small portion of our total sales. We do not expect sales of Grade C fruit products would have a material adverse impact on our business or financial performance in the future.

Gross Profit and Gross Profit Margin of Retail Stores by Geographic Regions

The table below sets forth a breakdown of our gross profit and gross profit margin of retail stores, including self-operated stores and all franchised stores, by city tiers for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	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*	%
							(unaudited)			
First-tier cities	374,383	9.6	337,519	9.4	405,003	10.6	220,776	10.5	237,110	11.1
Second-tier cities	161,154	7.4	132,929	6.6	233,995	10.3	117,305	9.8	132,376	10.1
Third- and lower-tier cities	163,111	9.0	176,818	9.5	267,557	11.9	131,341	11.2	147,844	11.6
Other sales channels[1]	177,708	16.5	160,164	11.6	249,881	12.7	131,825	12.5	160,063	13.4
	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5

Note:

(1) Represented revenue derived from regional dealers, direct sales and online channels.

During the Track Record Period, gross profit margin of franchised stores supervised by us and self-operated stores located in first-tier cities was generally lower than that of franchised stores supervised by us and self-operated stores located in third- and lower-tier cities in the relevant period. This was primarily due to the fact that (i) a majority of franchised stores under Guoduomei brand were located in Beijing and generally recorded a relatively lower gross profit margin than Pagoda stores due to different store positioning and product mix; and (ii) we strategically offered relatively higher rebates to franchised stores during the Track Record Period in Beijing due to the competitive market environment in the region. In addition, gross profit margin of franchised stores supervised by us located in second-tier cities was also lower than that of franchised stores supervised by us located in third- and lower-tier cities in the relevant period. This was primarily because among those second-tier cities, some were facing intense competition, and we therefore adopted a competitive pricing strategy in those cities.

Gross Profit by Channel Brands

The table below sets forth a breakdown of our gross profit by channel brands for the periods indicated.

	Year Ended December 31,						Six Months Ended June 30,			
	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*	%
							(unaudited)			
Pagoda	800,066	9.8	738,902	9.2	1,089,971	11.5	558,929	11.1	644,363	11.8
Guoduomei	76,290	9.1	68,002	8.4	64,399	7.9	41,647	8.6	31,492	7.0
Other channel brands	–	–	526	21.6	2,066	27.1	671	21.8	1,538	22.9
	876,356	9.8	807,430	9.1	1,156,436	11.2	601,247	10.9	677,393	11.5

Other Income

The following table sets forth the components of other income in absolute amounts and as percentages of total other income for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Interest income arising from loans	20,739	34.9	31,535	64.1	21,120	61.1	11,211	61.3	11,107	37.6
Government grant	17,335	29.1	14,761	30.0	7,225	20.9	4,417	24.1	16,347	55.4
Penalty income from franchisees	722	1.2	467	1.0	4,041	11.7	1,428	7.8	1,047	3.5
Compensation income from warehouse relocation	19,655	33.1	–	–	–	–	–	–	–	–
Others[1]	1,033	1.7	2,432	4.9	2,173	6.3	1,239	6.8	1,025	3.5
	59,484	100.0	49,195	100.0	34,559	100.0	18,295	100.0	29,526	100.0

Note:

(1) Mainly represents sales of scrap raw materials, such as paper boxes and others.

During the Track Record Period, we from time to time granted interest-bearing loans to third parties to ease their temporary capital needs. Pursuant to our current franchise arrangements, we provide interest-bearing loans to franchisees as financial support. For more details about our financial support provided to franchisees, see "Business — Fruit Specialty Retail Operator with OMO and Store-as-warehouse Features — Our Distribution Channels — Offline Retail Store Network — Franchised Stores — Financial Support Provided to Franchisees." We also provide factoring arrangements to regional dealers in need of capital. In addition, we also provide financial support to suppliers under factoring arrangements. We expect that our support of the business development of our partners by offering financing will in turn ensure the stable growth of our entire ecosystem. Interest income derived from the above-mentioned arrangements is counted in other income. During the Track Record Period, we offered financial support to suppliers at an interest rate which is typically higher than that to regional dealers. Interest-bearing financial support balances to suppliers continued to decrease from RMB153.3 million as of December 31, 2019 to RMB102.4 million as of December 31, 2020, and further to RMB29.2 million as of December 31, 2021, resulting in the decreases in interest income during the Track Record Period. As of June 30, 2022, interest-bearing financial support balances to suppliers amounted to RMB18.1 million.

Government grants mainly represented local government subsidies after meeting certain requirements imposed by various policies or for engaging in certain specific industries, such as agriculture, which were recognized as other income when the incurred operating expenses fulfilled the conditions attached. The government grants received are usually not subject to fulfillment of further conditions.

Penalty income from franchisees represented various occasional penalty payments we collected from our franchisees pursuant to our franchise arrangements due to their non-compliance with our store operational procedures, such as the failure to follow our quality control guidance and remove expired products from the shelf, or tampering the product quality tags without our permission. It also included compensation to us of damaging or losing materials or equipment belonging to us. Due to the expansion and improvement of our fresh groceries offerings under Panda.F, we delivered our fresh groceries and other products in customized containers to ensure the product quality to retail stores, waiting for customer pickup. The significant increase in penalty income from franchisees from 2020 to 2021 was mainly attributable to an increase in compensation for the damage or loss of such containers by the franchisees.

Compensation income from warehouse relocation represented a one-time compensation payment we received in 2019 from the landlord of our previous preliminary processing and distribution center located in Shanghai, which was vacated by the local government for municipal renovation. We relocated the preliminary processing and distribution center to another leased property in Shanghai in 2019 and we did not experience any interruption to our business operations due to such relocation.

Other Gains, Net

The following table sets forth the components of other gains, net in absolute amounts and as percentages of total other gains, net for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Fair value gains on financial assets at FVTPL, net	46,430	136.4	10,553	37.4	9,248	114.8	8,250	108.1	7,476	97.4
(Loss)/gain on disposal of associates and joint venture	–	–	(243)	(0.8)	1,248	15.5	–	–	–	–
Fair value (losses)/gain on biological assets	(241)	(0.7)	151	0.5	(494)	(6.1)	212	2.8	(714)	(9.3)
Losses on disposals of property, plant and equipment	(14,769)	(43.4)	(406)	(1.4)	(224)	(2.8)	(223)	(2.9)	(918)	(12.0)
Loss on dissolution of a subsidiary	(394)	(1.2)	–	–	–	–	–	–	–	–
Re-measurement gain on interest in associates	–	–	16,097	57.1	–	–	–	–	–	–
Gains/(losses) on lease termination	2,203	6.5	13	0.0	(213)	(2.6)	(203)	(2.7)	116	1.5
Exchange gains/(losses), net	817	2.4	2,038	7.2	(1,510)	(18.8)	(401)	(5.3)	1,716	22.4
Total	34,046	100.0	28,203	100.0	8,055	100.0	7,635	100.0	7,676	100.0

Fair value gains on financial assets at fair value through profit or loss (or "**FVTPL**") mainly represented interests income from the short-term structured deposits we purchased from domestic reputable commercial banks. Return on such structured deposits depended on the performance of the underlying investments, primarily including large-denomination certificates of deposit, structural deposits and bilateral deposits. By virtue of these underlying investments, we believe the structured deposits we purchased were flexible, low-risk and non-speculative in nature. These investments generally do not have a fixed term or coupon rate and may be redeemed any time at our discretion. For more details about our cash and investment management policies, see "— Net Current Assets/Liabilities, Net — Financial Assets." Fair value gains on financial assets at FVTPL also included changes in fair value in connection with loans which were convertible to equity interests in the borrowers pursuant to the relevant agreements. The decrease from RMB46.4 million in 2019 to RMB10.6 million in 2020 was mainly due to a decrease in average short-term structured deposits. It further decreased from RMB10.6 million in 2020 to RMB9.2 million in 2021 was mainly due to fair value loss at RMB22.4 million in connection with a loan which may be converted to equity interest in the borrower, a regional fruit retailer, i.e. Guizhou Guohui Guojia Agriculture Development Co., Ltd. (or "**Guizhou Guohui**"). We initially invested in Guizhou Guohui and owned 1% equity interest in it as of the Latest Practicable Date. In 2019, in anticipation of penetration in local markets by collaborating with local fruit retailers and distributors as well as the growth potential of Guizhou as promising tourism city, we entered into a loan agreement, as supplemented subsequently, with Guizhou Guohui and its then four shareholders who in aggregate held 99% equity interest in Guizhou Guohui. Pursuant to the agreements, we agreed to provide a loan in an aggregate amount of RMB20.0 million to support the business operation and development of Guizhou Guohui, and we were entitled the right to either demand Guizhou Guohui and its shareholders to settle the outstanding loan by cash or the equity interest in Guizhou Guohui. In 2021, due to the COVID-19 which adversely affected the tourism business and local economy of Guizhou city and also caused the continuous unsatisfying business performance of Guizhou Guohui, we decided not to pursue the acquisition of additional equity interest in Guizhou Guohui based on our assessment. As part of our risk management, we constantly monitored the performance of Guizhou Guohui after we entered into the loan agreement. It incurred a net loss for the year of 2020 although it maintained net assets by the end of the year. In the first half of 2021, Guizhou Guohui's total assets continued to decrease and we commenced to re-assess the potential risks. Guizhou Guohui failed to settle the repayment for outstanding loans in 2021 and it also incurred a net loss for the year of 2021. As such, we assessed our risks and a fair value loss of RMB22.4 million was recorded in 2021. Despite the fair value loss recorded, we continued to act in our best interest to communicate with the management of Guizhou Guohui and had reached an agreement of a four-year repayment schedule in April 2022, pursuant to which Guizhou Guohui undertook to repay to us, in four installments in each year from 2022 to 2025, the aggregate RMB20 million by October 2025. Other than the above-mentioned transaction, Guizhou Guohui does not have any past or present relationship, including, without limitation, business, employment, family, financing, trust or otherwise, with us or our subsidiaries, shareholders, directors or senior management, or any of their respective associates.

We from time to time identified industry players with growth potentials and made strategic investments, please refer to "Business – Our Products and Brands – Responsible Supply Chain Management Empowering Sustainable Development – Strategic Investment and Partnership" for more details. During the Track Record Period and up to the Latest Practicable Date, we made loans to six companies, five of which were regional fruit retailers and distributors including Guizhou Guohui, with the remaining one a dairy product manufacturer and distributor. Such loans may be converted to equity interest in the borrowers subject to the terms and conditions provided in respective investment agreements. Aggregate principal amounts of these loans amounted RMB103.5 million, among which approximately RMB22.4 million and RMB4.0 million were recorded as fair value loss in 2020 and 2021, respectively, in connection with the loans to two borrowers due to their unsatisfactory performance. Other than these, based on the latest financial information provided by the relevant third parties, we believe the operations of the remaining four borrowers are stable and there is no sign of any material credit risk at current stage. Two of these borrowers were our fruit suppliers and the dairy product manufacturer was also one of our dairy product supplier. Procurement amounts from these suppliers were insignificant. Other than these, to the best of our knowledge, these borrowers do not have any past or present relationship, including, without limitation, business, employment, family, financing, trust or otherwise, with us or our subsidiaries, shareholders, directors, supervisors or senior management, or any of their respective associates.

Under the relevant loan agreements, we typically provided the terms of the loan with detailed repayment schedules as to principal amount and interest. We usually required the shareholders of the relevant borrowers to provide guarantees or pledges. The loans shall only be used in the way agreed in the loan agreements, which was typically and solely for the development of their business. Moreover, we were typically entitled to access certain financial information of the borrowers. We endeavor to minimize our risk exposure by closely monitoring their business and financial performance and assessing our risk management accordingly. We currently do not have any intention to covert the loans into the equity interests in the borrowers. But we will continue to monitor the market as well as the operations of these borrowers, and may consider such conversion and initiate the negotiation when we consider appropriate. Similar to our practice in connection with Guizhou Guohui, we are also committed to actively collecting outstanding amounts by negotiating with management of the borrowers.

Fair value gains on financial assets at FVTPL decreased from RMB8.3 million for the six months ended June 30, 2021 to RMB7.5 million for the six months ended June 30, 2022, primarily because we reduced our investments in short-term structured deposits in 2022.

Loss on disposal of associates in 2020 represented the disposal of 30% equity interest in Dongguan Baiguo Biotechnology Company Limited (東莞百果生物技術有限公司) with a net loss of RMB243.0 thousand. Gain on disposal of associates in 2021 represented the disposal of Shenzhen Aisien Pagoda Industry Co., Ltd. (深圳愛寺恩百果實業有限公司) and Changsha Lvye Agricultural Technology Co., Ltd. (長沙縣綠葉農業科技有限公司), in which we held 35% and 35% equity interest, respectively, with a net gain of RMB410.0 thousand and RMB838.0 thousand, respectively.

Our biological assets mainly comprise of the fresh fruits before harvested in the two plantation bases operated by us. Changes in fair value of biological assets consist of the unrealized gains or losses that are attributable to the revaluation of our biological assets. We account for our biological assets based on the fair value of the biological assets less estimated cost to sell, and at each balance sheet date, our biological assets are remeasured. The change in the fair value of the biological asset, is recognized in our consolidated statements of profit or loss.

Losses on disposal of property, plant and equipment during the Track Record Period mainly related to the relocation of three of our preliminary processing and distribution centers in 2019.

Loss on dissolution of a subsidiary was mainly relating to the losses we incurred in connection with the dissolution of Shenzhen Pagoda Management Consulting Co., Ltd. (深圳百果園管理諮詢服務有限公司).

Re-measurement gain on interest in associates in 2020 was in connection with our step acquisition of Youguolian and Younongdao, whereby we have obtained control over these two entities following a capital injection. Upon such step acquisition, our previously held interest in Youguolian and Younongdao was re-measured to fair value, and the resulting re-measurement gain was included in other gains, net.

Losses/gains on lease termination was primarily due to our early termination of the lease agreements in connection with certain preliminary processing and distribution centers and offices. In accordance with HKFRS 16, losses/gains on lease termination arose from the differences between the carrying values of the right-of-use assets and lease liabilities when we terminated the lease agreements.

Selling Expenses

The following table sets forth the key components of our selling expenses in absolute amounts and as percentages of total selling expenses for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Salaries and staff welfare	221,469	64.2	220,292	55.8	266,172	58.9	128,022	58.0	145,937	59.3
Marketing and promotion expenses	43,247	12.5	79,561	20.2	65,101	14.4	36,395	16.5	33,279	13.5
Service fees	14,347	4.2	26,491	6.7	40,076	8.9	18,598	8.4	26,149	10.6
Depreciation of right-of-use asset	12,512	3.6	17,052	4.3	21,054	4.7	10,723	4.9	10,796	4.4
Depreciation and amortization	9,032	2.6	12,304	3.1	15,882	3.5	6,874	3.1	7,793	3.2
Rental and property management fees	4,294	1.3	9,367	2.4	9,664	2.1	5,452	2.5	5,195	2.1
Transportation	10,093	2.9	6,840	1.7	7,401	1.6	3,345	1.5	2,777	1.1
Office supplies	4,992	1.5	3,061	0.8	4,809	1.1	1,720	0.8	1,338	0.5
Others(1)	24,877	7.2	19,625	5.0	21,571	4.8	9,432	4.3	12,920	5.2
	344,863	100.0	394,593	100.0	451,730	100.0	220,561	100.0	246,184	100.0

Note:

(1) Includes entertainment fees, utility fees and other miscellaneous selling expenses.

Our selling expenses increased by 14.4% from RMB344.9 million in 2019 to RMB394.6 million in 2020, primarily due to an increase in marketing and promotion expenses from RMB43.2 million in 2019 to RMB79.6 million in 2020 as we enhanced promotion activities for our online business and our enhanced branding efforts in general. Selling expenses increased by 14.5% from RMB394.6 million in 2020 to RMB451.7 million in 2021, primarily due to an increase in salaries and welfare from RMB220.3 million in 2020 to RMB266.2 million in 2021 for our selling staff. Such increase in salaries and welfare was to motivate our selling and marketing staff for sales growth during the mild recovery period from the COVID-19 pandemic. Selling expenses increased by 11.6% from RMB220.6 million for the six months ended June 30, 2021 to RMB246.2 million for the six months ended June 30, 2022, also primarily due to an increase of RMB17.9 million in salaries and welfare resulting from increases both in headcount and average salaries as our business continued to grow during such period. Increase in selling expenses during the Track Record Period was also attributable to an increase in service fees from RMB14.3 million in 2019 to RMB26.5 million in 2020 and further to RMB40.1 million in 2021, mainly in connection with one of our development strategies to focus on enhancing services and quality control of franchised stores. Service fees increased from RMB18.6 million for the six months ended June 30, 2021 to RMB26.1 million for the six months ended June 30, 2022. To this end, we engaged more relevant service providers, such as mystery customer service, consumer surveys, and franchised store opening service.

Headcounts of our selling and marketing staff decreased by 10.8% from 1,580 in 2019 to 1,409 in 2020, and further by 0.2% to 1,406 in 2021. In contrast, average salaries and staff welfare, remained relatively stable in 2019 and 2020 and increased by 21.0% from 2020 to 2021, representing our intention to offer a more competitive annual salary package to talented selling and marketing staff. We enhanced our basic monthly salary package and introduced a more attractive year-end bonus scheme which led to increase bonus from RMB4.5 million in 2020 to RMB19.1 million in 2021. Headcounts of our selling and marketing staff increased by 6.1% from 1,388 for the six months ended June 30, 2021 to 1,472 for the corresponding period in 2022.

Marketing and promotion expenses increased from 2019 to 2020, mainly due to our enhanced promotion activities for our online business. Marketing and promotion expenses also included third-party platform processing fee in connection with online orders that are recognized as our revenue. Marketing and promotion expenses decreased from 2020 to 2021 primarily because we focused more on enhancing services and quality control of the retail stores and thus, allocating more resource from marketing to professional services by engaging various consulting and survey service providers. Similarly, marketing and promotion expenses slightly decreased for the six months ended June 30, 2022 comparing with the corresponding period in 2021.

Service fees mainly represented the service fees in connection with the market studies, investment consulting service, consumer surveys and marketing and consulting services provided by third party professional firms from time to time. Since 2019, one of our development strategies was to focus on enhancing services and quality control of franchised stores. To this end, we engaged more relevant service providers, such as mystery customer service, consumer surveys, and franchised store supporting services such as store opening service, service fees increased from 2019 to 2021 from RMB14.3 million to RMB26.5 million and further to RMB40.1 million in result. Service fees increased from RMB18.6 million for the six months ended June 30, 2021 to RMB26.1 million for the six months ended June 30, 2022.

Rental and property management fees mainly represented the rental expenses in connection with short-term leases for selling and marketing purpose. Our rental and property management fees increased from 2019 to 2021 primarily due to the increase in leased areas as our business continued to grow. The slight decrease in the six months ended June 30, 2022 comparing with the corresponding period in 2021 was mainly due to renewal of short-term leases upon expiry.

Transportation expenses was mainly relating to the travels of our employees in connection with our marketing activities.

Administrative Expenses

The following table sets forth the key components of our administrative expenses in absolute amounts and as percentages of total administrative expenses for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Salaries and staff welfare	156,475	66.1	135,698	62.9	185,903	61.4	89,840	58.3	92,404	60.5
Service fees	32,458	13.7	34,589	16.0	33,573	11.1	25,443	16.5	10,127	6.6
Depreciation and amortization	9,487	4.0	11,166	5.2	16,571	5.5	7,585	4.9	8,344	5.5
Depreciation of right-of-use asset	9,230	3.9	11,242	5.2	11,146	3.7	4,671	3.0	6,369	4.2
[**REDACTED**] expenses	–	–	–	–	11,897	3.9	3,688	2.4	14,563	9.5
Rental and property management fees	1,101	0.5	3,184	1.5	7,046	2.3	3,427	2.2	5,220	3.4
Transportation	5,942	2.5	3,296	1.5	4,672	1.5	2,039	1.3	1,656	1.1
Office supplies	4,197	1.8	2,277	1.1	2,913	1.0	1,340	0.9	936	0.6
Others[(1)]	17,981	7.5	14,139	6.6	28,891	9.6	16,061	10.4	13,053	8.5
	236,871	100.0	215,591	100.0	302,612	100.0	154,094	100.0	152,672	100.0

Note:

(1) Includes entertainment fees, utility fees, tax surcharges, bank charges and other miscellaneous administrative expenses.

Our administrative expenses decreased by 9.0% from RMB236.9 million in 2019 to RMB216.0 million in 2020, primarily due to a decrease in salaries and welfare for our administrative staff from RMB156.5 million in 2019 to RMB135.7 million in 2020. Administrative expenses increased by 40.0% from RMB216.0 million in 2020 to RMB302.6

million in 2021, primarily due to an increase in salaries and welfare for our administrative staff from RMB135.7 million in 2020 to RMB185.9 million in 2021. Administrative expenses slightly decreased from RMB154.1 million for the six months ended June 30, 2021 to RMB152.7 million for the six months ended June 30, 2022, primarily due to a decrease in service fees, partially offset by the increases in [**REDACTED**] expenses and salaries and staff welfare for our administrative staff.

Salaries and staff welfare for our administrative staff decreased by approximately 13.3% from RMB156.5 million in 2019 to RMB135.7 million in 2020, mainly due to a reduction in monthly salary and annual bonus for management level staff ranging from 5% to 20% due to the COVID-19 pandemic. It increased by approximately 37.0% from RMB135.7 million in 2020 to RMB185.9 million in 2021, which was a combined result of restoration of monthly salary and annual bonus together with a general increase in monthly salary for administrative staff. Bonuses for administrative staff increased from RMB7.5 million in 2020 to RMB31.5 million in 2021 in order to reward and motivate management level staff in 2021. The decline in 2021 was primarily due to our combination of certain positions across different administrative departments. We continued such strategy and consolidated more resources to streamline administrative staff in 2022. As such, salaries and staff welfare for our administrative staff increased from RMB89.8 million for the six months ended June 30, 2021 to RMB92.4 million for the six months ended June 30, 2022. The number of our administrative staff was 643, 643, 604, 640 and 575 for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022, respectively.

Service fees mainly represented the service fees in connection with various researches and studies, due diligence and other services provided by third party professional firms for our strategic investments and for our pre-[**REDACTED**] investments. The relatively higher service fees for the six months ended June 30, 2021 comparing with the corresponding period in 2022 was primarily due to various professional service fees incurred in connection with our previous listing preparation which we had discontinued in 2021, while professional service fees in connection with this [**REDACTED**] were recognized as [**REDACTED**] expenses.

Rental and property management fees mainly represented the rental expenses in connection with short-term leases for our office and other spaces for administrative purposes. During the Track Record Period, rental and property management fees increased primarily due to the increase in leased administrative areas as our business continued to grow.

Transportation expenses were mainly relating to the travels of our employees in connection with our administrative activities.

Others primarily included entertainment fees, utility fees, tax surcharges, bank charges and other miscellaneous administrative expenses. The significant increase from RMB14.1 million in 2020 to RMB28.9 million in 2021 was primarily due to the expenses in connection with certain upgrades and replacements made to our IT infrastructure for administrative purposes as well as the write-off of fixed assets.

[**REDACTED**] expenses represented the legal and other professional fees in connection with this [**REDACTED**].

Research and Development Expenses

The following table sets forth the key components of our research and development expenses in absolute amounts and as percentages of revenue for the periods indicated.

	Year ended December 31,						Six Months Ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Salaries and staff welfare	53,992	91.1	99,006	93.4	129,429	92.6	61,160	93.8	80,945	93.8
Rental and property management fees	1,676	2.8	3,328	3.1	4,080	2.9	2,009	3.1	2,184	2.5
Depreciation and amortization	1,075	1.8	2,488	2.3	2,389	1.7	1,214	1.9	938	1.1
Others[(1)]	2,509	4.3	1,231	1.2	3,844	2.8	839	1.3	2,213	2.6
	59,252	100.0	106,053	100.0	139,742	100.0	65,222	100.0	86,280	100.0

Note:

(1) Includes recruitment expenses, office expenses, travelling expenses, network and server related expenses and other miscellaneous research and development expenses.

During the Track Record Period, our research and development expenses continued to increase, primarily due to the increase in salaries and staff welfare for our research and development staff. We had 512, 587, 601, 591 and 593 research and development staff as of December 31, 2019, 2020 and 2021 and June 30, 2021 and 2022, respectively. During the Track Record Period, our major research and development projects mainly included a number of upgrades and replacements of other IT infrastructure and software systems, such as certain major systematic updates including mid-end platforms, systems for online business, as well as our warehouse management system and assets management system.

Net (Provision)/Net Reversal of Impairment Loss on Financial Assets

Net impairment losses on financial assets during the Track Record Period mainly represented a specified impairment loss on trade receivables from a customer in the amount of approximately RMB20.0 million in 2020 and a general expected credit loss throughout the Track Record Period. In 2020, a third-party customer failed to fully settle its outstanding purchase amounts which was partially due to the adverse market condition during the COVID-19 pandemic 2020 and we determined the specified impairment loss after evaluating the collectability of such outstanding purchase amounts given such customer's business and financial performance.

In the six months ended June 30, 2022, based on the collection progress of historical receivables, we reviewed and adjusted the assessment on impairment loss on financial assets in 2022 and recognized a general net reversal of impairment loss on financial asset of RMB11.8 million for the six months ended June 30, 2022.

Finance Costs, Net

Finance income during the Track Record Period mainly included interest income arising from bank deposits in the amount of RMB3.0 million, RMB12.2 million and RMB24.1 million, respectively, in 2019, 2020 and 2021. Finance income amounted to RMB5.1 million and RMB15.4 million for the six months ended June 30, 2021 and 2022, respectively. Our bank deposits primarily consisted of proceeds from our operation.

Finance costs during the Track Record Period represented the interest expenses on our borrowings and on lease liabilities. Interest expenses on borrowings amounted to RMB29.1 million, RMB36.0 million and RMB47.9 million in 2019, 2020 and 2021, respectively, which were generally in line with our increasing financing needs arising from our business growth. Interest expenses on lease liabilities amounted to RMB15.6 million, RMB16.0 million, RMB30.2 million, RMB13.1 million and RMB16.4 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

Share of (Losses)/Profit of Associates and Joint Ventures, Net

We from time to time make minority investments in companies, such as start-ups in our industry specializing in agricultural technique and equipment development or delivering cultivation management consulting solutions. We make the minority investments to leverage their academic or technical expertise to supplement our in-house research capabilities, which in turn, are expected to improve our long-term business prosperity and further empower our entire ecosystem.

Since these associates and joint ventures are still at their early stage of development and some were operating at a loss during the Track Record Period, we recorded share of losses of investments in associates and joint ventures in the amount of RMB7.5 million and RMB9.8 million in 2019 and 2020, respectively, and share of profit of RMB16.5 million in 2021. Share of profit of investments in associates and joint ventures amounted to RMB9.5 million and RMB9.4 million for the six months ended June 30, 2021 and 2022, respectively. As of December 31, 2019, 2020 and 2021, we had a total of 9, 19 and 20 associates and a total of 1, 2 and 1 joint venture, respectively. As of June 30, 2021 and 2022, we had a total of 19 and 20 associates and 1 and 1 joint venture, respectively.

Income Tax Expenses

Income tax expenses primarily represented income tax payable by us under relevant PRC income tax rules and regulations. Income tax expenses consisted of current income tax and deferred income tax.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, some of our subsidiaries were entitled to preferential income tax rates pursuant to the relevant tax regulations. For example, during the Track Record Period, Pagoda Preliminary Processing, Hainan Wangpin and Haiyang Jinchengtai were subject to the preferential tax treatment for preliminary processing business for agricultural products and their respective income arising from the preliminary processing business operations were exempted from income tax. Jiangxi Wangpin and Yuanmou Yuanshengyuan were classified under agriculture industry, therefore, were also exempted from income tax. Moreover, certain other subsidiaries were recognized as high and new technology companies and enjoyed a preferential income tax rate of 15%. Some were granted tax reductions by virtue of high and new technology company or otherwise meeting the requirements of the relevant tax regulations and were subject to the half-reduced income tax rate. Our income tax expenses were also affected by adjustments relating to deferred tax expenses or credits arising from the timing differences between accounting and taxable profits during the Track Record Period.

Our income tax expense increased from RMB20.4 million in 2019 to RMB26.1 million in 2020, and further to RMB36.2 million in 2021. Since most of the profit-contributing operating entities in our Group enjoyed preferential tax treatments mentioned above, in 2019, 2020 and 2021, our effective tax rate was 7.6%, 36.3% and 13.8%, respectively. The fluctuation in effective tax rates was mainly due to the change in proportion of profit contribution by those entities enjoyed preferential tax treatments, especially the ones with the income tax exemption. The significant increase in effective tax rate in 2020 from 2019 was mainly due to the significant decrease in profit of one of our subsidiaries which is subject to preferential tax treatment by virtue of its preliminary processing business for agricultural products and its respective income arising from such business operations were exempted from income tax. Income tax expense slightly increased from RMB20.4 million for the six months ended June 30, 2021 to RMB21.5 million for the six months ended June 30, 2022. Effective tax rate was 13.0% and 10.2% for the six months ended June 30, 2021 and 2022, respectively. The relatively lower effective tax rate for the six months ended June 30, 2022 was primarily due to an increase in profit of our subsidiaries which was subject to preferential tax treatment.

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

Profit for the Year/Period

Our net profit decreased from RMB248.3 million in 2019 to RMB45.7 million in 2020. Net profit increased from RMB45.7 million in 2020 to RMB225.8 million in 2021. Net profit increased from RMB136.0 million for the six months ended June 30, 2021 to RMB190.1 million for the six months ended June 30, 2022. Net profit margin was 2.8%, 0.5% and 2.2%, respectively, in 2019, 2020 and 2021. Net profit margin was 2.5% and 3.2% for the six months ended June 30, 2021 and 2022, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared with Six Months Ended June 30, 2021

Revenue

Our revenue increased by 7.0% from RMB5,525.4 million for the six months ended June 30, 2021 to RMB5,914.7 million for the six months ended June 30, 2022. The increase was primarily attributable to a net increase of 436 franchised stores supervised by us during the same periods.

Cost of Sales

Cost of sales increased by 6.4% from RMB4,924.2 million for the six months ended June 30, 2021 to RMB5,237.3 million for the six months ended June 30, 2022. The increase was primarily attributable to an increase in cost of inventories sold, which was in line with the increase of our revenue over the same periods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB601.2 million for the six months ended June 30, 2021 to RMB677.4 million for the six months ended June 30, 2022. Gross profit margin was 10.9% and 11.5% for the six months ended June 30, 2021 and 2022, respectively. It was primarily due to the improvement in gross profit margin on sales of fruits and other food products to franchised stores, which in turn, was mainly because we raised selling prices towards franchisees and regional dealers since 2021, after considering maturity of our overall store structure as well as our increasing brand recognition and economies of scale.

Other Income

Other income increased from RMB18.3 million for the six months ended June 30, 2021 to RMB29.5 million for the six months ended June 30, 2022. The increase was primarily due to an increase in government grant. We received certain government grants, including subsidies granted by virtue of leading agricultural company, in 2022, applications of some of which were suspended in 2021 due to the COVID-19 outbreak.

Other Gains, Net

Other gains, net remained relatively stable at RMB7.6 million and RMB7.7 million for the six months ended June 30, 2021 and 2022, respectively.

Selling Expenses

Our selling expenses increased by 11.6% from RMB220.6 million for the six months ended June 30, 2021 to RMB246.2 million for the six months ended June 30, 2022, which was primarily due to an increase of RMB17.9 million in salaries and welfare resulting from increases both in headcount and average salaries as our business continued to grow during such period. The increase was also attributable to an increase of RMB7.6 million in service fees in connection with one of our development strategies to focus on enhancing services and quality control of franchised stores. To this end, we engaged more relevant service providers, such as mystery customer service, consumer surveys, and franchised store supporting services such as store opening services.

Administrative Expenses

Our administrative expenses slightly decreased from RMB154.1 million for the six months ended June 30, 2021 to RMB152.7 million for the six months ended June 30, 2022, primarily due to a decrease in service fees, partially offset by the increases in [**REDACTED**] expenses and salaries and staff welfare for our administrative staff. The relatively higher service fees for the six months ended June 30, 2021 comparing with the corresponding period in 2022 was primarily due to various professional service fees incurred in connection with our previous listing preparation which we had discontinued in 2022, while professional service fees in connection with this [**REDACTED**] were recognized as [**REDACTED**] expenses.

Research and Development Expenses

Our research and development expenses increased by 32.3% from RMB65.2 million for the six months ended June 30, 2021 to RMB86.3 million for the six months ended June 30, 2022, which was primarily due to an increase in average salaries for research and development staff as we concentrated more resources for IT system development and upgrade.

Net (Provision)/Net Reversal of Impairment Loss on Financial Assets

In the six months ended June 30, 2022, based on the collection progress of historical receivables which resulted in lower trade receivable balance and outstanding factoring amounts, we reviewed and adjusted the assessment on impairment loss on financial assets in 2022 and recognized a general net reversal of impairment loss on financial asset of RMB0.8 million for the six months ended June 30, 2022.

Net impairment loss on financial assets amounted RMB11.8 million for the six months ended June 30, 2021, primarily due to the increase in trade receivable balance, and also the effect of a specific impairment loss on trade receivables from a customer in the amount of approximately RMB6.7 million upon our consideration of the recoverability of such amount.

Finance Costs, Net

Finance income increased from RMB5.1 million for the six months ended June 30, 2021 to RMB15.4 million for the six months ended June 30, 2022, mainly due to an increase in interest arising from bank deposits.

Finance costs increased from RMB33.8 million for the six months ended June 30, 2021 to RMB43.5 million for the six months ended June 30, 2022. Interest expenses on borrowings increased from RMB20.7 million to RMB27.1 million over the same periods due to an increase in borrowing, and interest expenses on lease liabilities increased from RMB13.1 million to RMB16.4 million over the same periods.

Share of Profit of Associates and Joint Ventures, Net

We had strategically invested in 19 and 20 associates and 1 and 1 joint venture for the six months ended June 30, 2021 and 2022, respectively, and realized share of investments in associates and joint ventures, net in the amount of RMB9.5 million and RMB9.4 million for the six months ended June 30, 2021 and 2022, respectively.

Income Tax Expenses

Our income tax expense increased from RMB20.4 million for the six months ended June 30, 2021 to RMB21.5 million for the six months ended June 30, 2022, primarily due to a decrease in the proportion of profit before tax contributed by non-tax-exempt subsidiaries. Effective tax rate was 13.0% and 10.2% for the six months ended June 30, 2021 and 2022, respectively. The relatively lower effective tax rate for the six months ended June 30, 2022 was primarily due to an increase in profit of our subsidiaries which was subject to preferential tax treatment.

Profit for the Period

As a result of the foregoing, our net profit increased from RMB136.0 million for the six months ended June 30, 2021 to RMB190.1 million for the six months ended June 30, 2022. Net profit margin was 2.5% and 3.2% for the six months ended June 30, 2021 and 2022, respectively.

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Revenue

Our revenue increased by 16.2% from RMB8,853.7 million in 2020 to RMB10,289.4 million in 2021. The increase was primarily attributable to the increase in revenue from sales of fruits and other food products resulting from a net increase of 362 franchised stores supervised by us, and a recovery in sales of offline retail stores in general, since the COVID-19 pandemic was gradually under control in 2021. Aggregate revenue from sales of fruits and other products and royalty and franchising income increased from RMB7,440.5 million in 2020 to RMB8,287.3 million in 2021, while the number of retail stores in our store network was 4,757 and 5,249 in 2020 and 2021, respectively.

Cost of Sales

Cost of sales increased by 13.5% from RMB8,046.3 million in 2020 to RMB9,132.9 million in 2021. The increase was primarily attributable to an increase in cost of inventories sold, which was in line with the increase of our revenue over the same periods.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB807.4 million in 2020 to RMB1,156.4 million in 2021. Gross profit margin increased from 9.1% in 2020 to 11.2% in 2021, primarily due to the improvement in gross profit margin on sales of fruits and other food products to franchised stores, which in turn, was primarily because we raised selling prices towards franchisees and regional dealers, after considering the maturity of our overall store structure and challenging market environment in 2020.

Other Income

Other income decreased from RMB49.2 million in 2020 to RMB34.6 million in 2021. The decrease was primarily due to a decrease in interest income and a decrease in government grant.

Other Gains, Net

Other gains, net decreased from RMB28.2 million in 2020 to RMB8.1 million in 2021, which was primarily due to the re-measurement gain on interest in associates of RMB16.1 million upon the step acquisition of Youguolian and Younongdao.

Selling Expenses

Our selling expenses increased by 14.5% from RMB394.6 million in 2020 to RMB451.7 million in 2021, which was primarily due to an increase in salaries and welfare from RMB220.3 million in 2020 to RMB266.2 million in 2021 for our selling staff. Such increase in salaries and welfare was to motivate our selling and marketing staff for sales growth during the mild recovery period from the COVID-19 pandemic. The increase was also attributable to an increase in service fees from RMB26.5 million in 2020 to RMB40.1 million in 2021 in connection with one of our development strategies to focus on enhancing services and quality control of franchised stores. To this end, we engaged more relevant service providers, such as mystery customer service, consumer surveys, and franchised store supporting services such as store opening service.

Administrative Expenses

Our administrative expenses increased by 40.4% from RMB215.6 million in 2020 to RMB302.6 million in 2021, which was primarily due to an increase in salaries and welfare for our administrative staff from RMB135.7 million in 2020 to RMB185.9 million in 2021, which was a combined result of restoration of monthly salary and annual bonus together with general increase in monthly salary for administrative staff. Bonuses for administrative staff increased from RMB5.0 million in 2020 to RMB13.9 million in 2021 in order to reward and motivate management level staff in 2021.

Research and Development Expenses

Our research and development expenses increased by 31.8% from RMB106.1 million in 2020 to RMB139.7 million in 2021, which was primarily due to an increase in headcounts of our research and development staff from 587 in 2020 to 601 in 2021.

Net Impairment Loss on Financial Assets

Net impairment loss on financial assets decreased from RMB20.9 million in 2020 to RMB5.4 million in 2021, primarily due to the specified impairment loss on trade receivables from a customer in the amount of approximately RMB20.0 million in 2020.

Finance Costs, Net

Finance income increased from RMB12.2 million in 2020 to RMB24.1 million in 2021, mainly due to an increase in interest arising from bank deposits.

Finance costs increased from RMB52.1 million in 2020 to RMB78.2 million in 2021. Interest expenses on borrowings increased from RMB36.0 million in 2020 to RMB47.9 million in 2021 due to an increase in borrowing, and interest expenses on lease liabilities increased from RMB16.0 million in 2020 to RMB30.2 million in 2021.

Share of (Losses)/Profit of Associates and Joint Ventures, Net

We had strategically invested in 19 and 20 associates in 2020 and 2021, respectively. Since some associates and joint ventures are at their early stage of development and were operating at a loss, we recorded share of losses of investments in associates and joint ventures, net in the amount of RMB9.8 million in 2020, while we recorded share of profit of investment in associates of RMB16.5 million in 2021.

Income Tax Expenses

Our income tax expense increased from RMB26.1 million in 2020 to RMB36.2 million in 2021, primarily due to an increase in the proportion of profit before tax contributed by non-tax-exempt subsidiaries. Effective tax rate was 36.3% and 13.8%, respectively, in 2020 and 2021. The effective tax rate in 2021 was lower than the PRC statutory income tax rate of 25.0% because certain of our subsidiaries enjoyed tax exemptions and tax reductions pursuant to the applicable tax regulations.

Profit for the Year

As a result of the foregoing, our net profit increased from RMB45.7 million in 2020 to RMB225.8 million in 2021 and net profit margin was 0.5% and 2.2%, respectively, in 2020 and 2021, respectively.

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Revenue

Our revenue decreased by 1.4% from RMB8,976.1 million in 2019 to RMB8,853.7 million in 2020, primarily due to a decrease in revenue from sales of fruits and other products, which in turn, was a net impact of the decrease in daily average revenue of sales of product per franchised store supervised by us as an adverse result of the COVID-19 pandemic, partially offset by a net increase of 192 franchised stores supervised by us.

Cost of Sales

Cost of sales decreased by 0.7% from RMB8,099.8 million in 2019 to RMB8,046.3 million in 2020, primarily due to a decrease in cost of inventories sold which was in line with the decrease in sales over the same periods. The decrease was partially offset by an increase in delivery charges primarily due to our operation on new online channels, such as Tmall, the launch of Panda.F in the fourth quarter of 2020, and our continuous penetration into low-tier cities.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 7.9% from RMB876.4 million in 2019 to RMB807.4 million 2020, and gross profit margin decreased from 9.8% in 2019 to 9.1% in 2020.

Other Income

Other income decrease by 17.3% from RMB59.5 million in 2019 to RMB49.2 million in 2020, which was primarily due to (i) the one-time compensation income in connection with the warehouse relocation in the amount of RMB19.7 million in 2019, and (ii) a decrease in government grants from RMB17.3 million in 2019 to RMB14.8 million in 2020.

Other Gains, Net

We recorded other gains, net of RMB34.0 million and RMB28.2 million in 2019 and 2020, respectively. The decrease was mainly due to decreased investments in structured deposits in 2020.

Selling Expenses

Our selling expenses increased by 14.4% from RMB344.9 million in 2019 to RMB394.6 million in 2020, primarily due to an increase in marketing and promotion expenses from RMB43.2 million in 2019 to RMB79.6 million in 2020 as we enhanced promotion activities for our online business and our enhanced branding efforts in general.

Administrative Expenses

Our administrative expenses decreased by 9.0% from RMB236.9 million in 2019 to RMB215.6 million in 2020, primarily due to a decrease in salaries and welfare of our administrative staff from RMB156.5 million in 2019 to RMB135.7 million in 2020, mainly resulting from the reduction in monthly salary and annual bonus for management level staff ranging from 3% to 20% due to the COVID-19 pandemic.

Research and Development Expenses

Our research and development expenses increased by 79.0% from RMB59.3 million in 2019 to RMB106.1 million in 2020. The increase was primarily due to an increase in salaries and welfare from RMB54.0 million in 2019 to RMB99.0 million in 2020 as we hired more research and development personnel.

Net Impairment Loss on Financial Assets

Net impairment loss on financial assets increased from RMB11.0 million in 2019 to RMB20.9 million in 2020, primarily due to the specified impairment loss on trade receivables from a customer in the amount of approximately RMB20.0 million in 2020.

Finance Costs, Net

Finance income increased from RMB3.0 million in 2019 to RMB12.2 million in 2020, primarily due an increase in interest income on bank deposits.

Finance cost increased from RMB44.7 million in 2019 to RMB52.1 million in 2020, primarily due to an increase in interest expenses on borrowings from RMB29.1 million in 2019 to RMB36.0 million in 2020, which was generally in line with our increasing financial needs arising from our business development.

Share of (Losses)/Profit of Associates and Joint Ventures, Net

We had strategically invested in 9 and 19 associates in 2019 and 2020, respectively. Since some of these associates and joint ventures are at their early stage of development and were operating at a loss, we recorded share of losses of investments in associates and joint ventures, net in the amount of RMB7.5 million and RMB9.8 million in 2019 and 2020, respectively.

Income Tax Expenses

Our income tax expense increased from RMB20.4 million in 2019 to RMB26.1 million in 2020. Effective tax rate was 7.6% and 36.3%, respectively, in 2019 and 2020. The significant increase in effective tax rate in 2020 from 2019 was mainly due to the significant decrease in profit of one of our subsidiaries which is subject to preferential tax treatment by virtue of its preliminary processing business for agricultural products and its respective income arising from such business operations were exempted from income tax.

Profit for the Year

As a result of the foregoing, our net profit decreased by 81.6% from RMB248.3 million in 2019 to RMB45.7 million in 2020 and net the proportion of profit margin was 2.8% and 0.5%, respectively, in 2019 and 2020.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

We have financed our operations primarily through cash generated from our operating activities, capital contributions by shareholders and bank borrowings. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had cash and cash equivalents, plus short-term bank deposits, in the amount of RMB317.2 million, RMB654.7 million, RMB814.7 million and RMB1,977.5 million, respectively.

We also had restricted bank deposits in the amount of RMB177.0 million, RMB224.3 million, RMB273.7 million and RMB267.3 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, which primarily represented the restricted deposits in the designated bank accounts in connection with our prepaid gift cards. Pursuant to the relevant laws and regulations, we are required to deposit a certain percentage of the proceeds from sales of prepaid gift cards to designated bank accounts. Also refer to "— Net Current Assets/Liabilities — Restricted Bank Deposits" below for more details.

Substantially all of our cash and cash equivalents and restricted bank deposits are denominated in Renminbi.

Working Capital Sufficiency

Taking into account the financial resources presently available to us, including cash and cash equivalents, cash generated from operating activities, bank borrowings available to us, the estimated [**REDACTED**] we expect to receive from [**REDACTED**] and the available banking facilities, our Directors are of the view that we will have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

Cash Flows Analysis

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

	Year Ended December 31,			Six Months Ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash generated from operating activities	490,260	297,979	285,985	516,038
Net cash (used in) investing activities	(226,742)	(377,743)	(577,898)	1,034,924
Net cash (used in)/generated from financing activities	(64,952)	217,152	401,943	(218,124)
Net increase in cash and cash equivalents	198,566	137,388	110,030	1,332,838
Cash and cash equivalents at the beginning of the year/period	118,682	317,248	454,636	564,666
Cash and cash equivalents at the end of the year/period	317,248	454,636	564,666	1,897,504

Operating Activities

Net cash generated from operating activities for the six months ended June 30, 2022 was RMB516.0 million, which primarily consisted of profit before income tax of RMB211.6 million, adjusted for certain non-cash items such as depreciation and amortization in the aggregate amount of RMB61.4 million and finance cost, net of RMB28.1 million. Additional factors that affected our cash generated from operating activities included an increase in trade payables of RMB155.4 million, a decrease in trade receivables of RMB72.8 million, and a decrease in deposits, prepayments and other receivables of RMB55.8 million primarily as a result of our proactive payment collection.

Net cash generated from operating activities in 2021 was RMB286.0 million, which primarily consisted of profit before income tax of RMB262.0 million, adjusted for certain non-cash items such as depreciation and amortization in the aggregate amount of RMB117.8 million and finance cost, net of RMB54.1 million. Additional factors that affected our cash generated from operating activities included a decrease in trade receivables of RMB129.5 million, and an increase in accruals and other payables of RMB159.0 million in connection with membership fee received and receipt of sales proceeds on behalf of franchisees, offset by an increase in deposits, prepayments and other receivables of RMB403.3 million primarily due to prepayments for purchases.

Net cash generated from operating activities in 2020 was RMB298.0 million, which primarily consisted of profit before income tax of RMB71.7 million, adjusted for certain non-cash items such as depreciation and amortization in the aggregate amount of RMB91.9 million and finance cost, net of RMB39.9 million. Additional factors that affected our cash generated from operating activities included a decrease in trade receivables of RMB128.9 million, and an increase in accruals and other payables of RMB185.3 million in connection with membership fee received and receipt of sales proceeds on behalf of franchisees, offset by a decrease in trade payables of RMB75.7 million.

Net cash generated from operating activities in 2019 was RMB490.3 million, which primarily consisted of profit before income tax of RMB268.7 million, adjusted for certain non-cash items such as depreciation and amortization in the aggregate amount of RMB79.8 million and finance cost, net of RMB41.6 million. Additional factors that affected our cash generated from operating activities included an increase in trade receivables of approximately RMB29.4 million, and an increase in accruals and other payables of RMB133.6 million in connection with membership fee received and receipt of sales proceeds on behalf of franchisees.

Investing Activities

Net cash generated from investing activities for the six months ended June 30, 2022 was RMB1,034.9 million, which primarily consisted of net proceeds from redemption of financial assets in the amount of approximately RMB818.5 million, mainly in connection with our investment in structured deposits.

Net cash used in investing activities in 2021 was RMB577.9 million, which primarily consisted of net payments for financial assets in the amount of approximately RMB623.1 million, mainly in connection with our investment in structured deposits.

Net cash used in investing activities in 2020 was RMB377.7 million, which was primarily due to an increase in time deposits of RMB500.1 million, offset by net proceeds from financial assets of RMB366.2 million in connection with our investment in structured deposits, offset by payments for property, plant and equipment of RMB89.1 million, payments for right-of-use assets of RMB51.6 million and payments for acquisition of associates of RMB70.4 million.

Net cash used in investing activities in 2019 was RMB226.7 million, which primarily consisted of net proceeds from financial assets of RMB439.9 million mainly in connection with our investment in structured deposits, offset by payments for acquisition of subsidiary, net of cash acquired of RMB240.7 million.

Financing Activities

Net cash used in financing activities for the six months ended June 30, 2022 was RMB218.1 million, which primarily consisted of net repayments of bank borrowing of RMB147.0 million.

Net cash generated from financing activities in 2021 was RMB401.9 million, which primarily consisted of net proceeds from bank borrowing of RMB523.0 million, offset by lease payments of RMB76.1 million and interests paid of RMB47.5 million.

Net cash generated from financing activities in 2020 was RMB217.2 million, which primarily consisted of net proceeds from bank borrowing of RMB307.5 million, offset by lease payments of RMB52.0 million and interests paid of RMB35.2 million.

Net cash used in financing activities in 2019 was RMB65.0 million, which primarily consisted of lease payments of RMB42.0 million and an increase in restricted bank deposits of RMB35.9 million, and offset by net proceeds from bank borrowing of RMB42.0 million.

CAPITAL EXPENDITURES

Our capital expenditures amounted to RMB113.4 million, RMB157.6 million and RMB44.0 million in 2019, 2020 and 2021, respectively. Our capital expenditures were primarily for the purchases of fixed assets, mainly in connection with our processing and distribution centers. We expect the capital expenditure for the year ending December 31, 2022 will be approximately RMB57.4 million.

During the Track Record Period, we financed our capital expenditures primarily with cash generated from operations and bank borrowings.

CONTRACTUAL OBLIGATIONS

Capital commitments

The table below sets forth the total amount of our capital commitments contracted for but not yet incurred as of the dates indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	9,643	29,659	22,420	73,265
Equity investments	7,705	337,216	295,794	278,532
Total	17,348	366,875	318,214	351,797

Our capital commitments in equity investments as of June 30, 2022 were mainly related to the capital investments we agreed to contribute in certain targeted companies, primarily in fruit suppliers or agricultural technology and cultivation management companies.

Short-term lease commitments

We lease various office spaces and warehouses under non-cancellable short-term leases expiring within one year. The following table sets forth our future aggregate minimum lease payments under non-cancellable short-term leases falling due as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	795	866	1,000	967

SELECTED ITEMS OF COMPONENTS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Net Current Assets/Liabilities

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

	As at December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	234,806	259,255	246,760	263,351	318,208
Biological assets	3,006	2,131	4,525	4,445	4,880
Trade receivables	1,443,731	1,290,874	1,156,227	1,083,098	1,091,818
Deposits, prepayments and other receivables	577,466	619,107	861,806	766,599	892,658
Financial assets at FVTPL	765,822	414,744	1,039,995	229,954	320,000
Loans to associates	33,949	29,867	12,608	18,136	18,726
Amounts due from associates	18,839	–	15	988	948
Restricted bank deposits	176,979	224,386	272,690	267,314	270,588
Short-term bank deposits	–	200,100	250,000	80,000	80,000
Cash and cash equivalents	317,248	454,636	564,666	1,897,504	1,594,634
Total current assets	3,571,846	3,495,100	4,409,292	4,611,389	4,592,460
Current liabilities					
Trade payables	378,835	304,932	345,196	500,553	423,864
Accruals and other payables	877,344	1,028,085	1,178,063	1,180,171	1,214,091
Contract liabilities	11,845	14,124	18,249	16,807	18,272
Income tax payables	14,187	14,517	11,674	14,770	8,931
Amounts due to associates	18,495	17,890	15,882	4,194	9,493
Bank borrowings	594,785	911,069	1,435,427	1,289,918	1,267,947
Lease liabilities	30,986	30,710	52,051	51,371	33,232
Total current liabilities	1,926,477	2,321,327	3,056,542	3,057,784	2,975,830
Net current assets	1,645,369	1,173,773	1,352,750	1,553,605	1,616,630

Our net current assets decreased from RMB1,645.4 million as of December 31, 2019 to RMB1,173.8 million as of December 31, 2020, mainly due to the negative impact by COVID-19 on our business, and increasing cash outflow resulting from one-off long-term deposits of RMB250 million as of December 31, 2020 and an increase in interests in associates and joint ventures during the year ended December 31, 2020.

Our net current assets increased gradually and amounted to RMB1,173.8 million, RMB1,352.8 million and RMB1,553.6 million as of December 31, 2020, 2021 and June 30, 2022, respectively, mainly due to the cash inflow from decrease in long-term bank deposits and our business development during such periods.

Inventories

Our inventories primarily consist of fruits and other food products, as well as consumables, such as packaging materials.

The following table sets forth a breakdown of our inventory balances as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fruits and other food products	223,411	247,251	236,819	249,333
Consumables	11,395	12,004	9,941	14,018
Total	234,806	259,255	246,760	263,351

The following table sets forth a breakdown of our inventory balances of fruits and other food products as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
Beginning of the year/period	108,820	234,806	259,255	246,760
Aggregate purchases	7,909,517	7,673,614	8,687,805	5,005,769
Harvested fresh fruits transferred from biological assets	5,071	9,620	5,386	4,597
Aggregate consumption	(7,788,602)	(7,658,785)	(8,705,686)	(4,993,775)
End of the year/period	234,806	259,255	246,760	263,351

Due to the perishable nature of fresh fruits, inventory control is critical to our operations and financial results. We leverage our information technology systems to closely monitor the daily sales activities in the stores and timely adjust our procurement plans so as to maintain appropriate levels of inventories of fruits. We adopt a physical "first-in-first-out" policy to ensure the freshness of our products. We conduct stock check and reconciliation with respect to fruits and vegetables on a daily basis for accurate inventory count. We also monitor the quality and freshness of our fruit inventories regularly and will destroy products that begin to perish or otherwise no longer meet our quality standards. With respect to perishable fruit products, the average inventory turnover under our inventory policies is generally around 2.5 days. We also have implemented in-store inventory control policies that each of the retail stores are required to follow. With respect to certain highly perishable fruits, fresh-cut fruit bowls and juice products, we require the retails stores to discard on a daily basis to ensure the food quality and safety. We encourage our franchisees to manage their inventory at an appropriate level so as to maintain sufficient fresh fruits on the shelf on one hand, and minimize the loss rate on the other. Given that the distribution of our other fresh groceries is subject to the online pre-order model, we are able to assess the demands and make procurement and logistic arrangements subject to the orders received. With respect to other fresh groceries that are better for short storage time to keep best quality, such as vegetables and fresh meat, we generally delivery such products to relevant stores within 24 hours from their arrival at our distribution centers. The average inventory turnover for other pre-packaged fresh groceries generally ranges from several days up to 60 days from our distribution centers to the retail stores. Other fresh groceries at the retail stores will be subsequently picked up in store or delivered to the consumers within the next day.

Furthermore, due to the nature of fresh fruits, inventory loss may arise due to rotten, out-of-season or damaged stock, which is accounted for as cost of sales. During the Track Record Period, inventory loss accounted for approximately 0.010%, 0.003%, 0.034% and 0.045% of total cost of inventories sold in the years ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022, respectively.

We assess impairment to inventories at each period end during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become out-of-season or are damaged or their prices went down and their net realizable value is lower than the costs of the inventories. During the Track Record Period, we did not record any material inventory write-offs.

Our fruit and other products inventories increased from 2019 to 2020, which was in line with our expanding operation scale. Fruit and other products inventories decreased from 2020 to 2021, primarily because the procurements for our wholesale business extended from the end of 2021 to early 2022 while usually it was completed by the end of each year. Unsatisfactory weather condition in 2020 adversely affected the yield of apples meeting our quality requirements and our procurement activities continued in the first quarter of 2021 so as to fulfill the demand of our wholesale customers. Although our business mainly focuses on the retailing of fruits and other vegetarian fresh foods, on a limited scale, we also engage in wholesale business. Our wholesale business currently mainly distributes fruits that have a relatively longer storage life, such as apples. Our wholesale customers are mainly large supermarkets and other fruit distributors. Our fruit and other products inventories increased from the end of 2021 to June 30, 2022 as our business grew steadily. It was also partially due to an increase in seasonal inventory for the upcoming summer.

The following table sets forth average inventory turnover days for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
Overall inventory turnover[(1)]	7.7	11.2	10.1	8.8

Note:

(1) Calculated based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the year ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

Due to the nature of fruits, our inventory turnover days remained stable during the Track Record Period. Given that certain of our subsidiaries also engage in wholesale business which mainly involves apples and other fruits that typically have a relatively long storage time, our overall inventory turnover days are generally longer than the turnover days for fruits under our inventory policies.

Moreover, if fresh fruits and dried fruits were excluded, the inventory turnover days of our other fresh groceries were approximately 34.0, 37.9, 16.5, and 11.7 days in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The significant decrease in 2021 was primarily due to the change in product mix where the proportion of vegetables increased, which typically had a relatively short turnover days less than one week.

As of October 31, 2022, RMB263.1 million, or 99.9% of our inventory balance amount as of June 30, 2022, had been subsequently sold or utilized.

Biological Assets

Our biological assets comprise fresh fruits growing on the trees until the point of harvest in our self-operated plantation bases. Biological assets are classified as current assets due to short harvesting period. Harvested fruits will be transferred to inventory. The fair value of fresh fruits is determined by adopting the discounted cash flow method by referring to the anticipated growing yields of the plantation bases, market prices less cost at the point of harvest, the contribution of land and fruit trees as well as other costs for growing such fruit to maturity. Changes in fair value of fresh fruits on trees are recognized in the consolidated statements of profit or loss.

We currently operate two plantation bases, namely a grape plantation base in Yunnan Province and a plantation base in Jiangxi Province, respectively. There is no specific license or approval required to operate plantation bases in China. Harvested fruits that meet our quality standards will be provided to us and fruits with a lower quality level will be sold to third parties in the market. It generally takes two to three years for the grape trees in the Yunnan plantation base to reach stable yields and the anticipated productive life is at around ten years. Grapes are typically matured and harvested one to two seasons every year. It generally takes three to four years for the citrus trees in the Jiangxi plantation base to reach stable yields and anticipated productive life is at around 15 to 20 years. Citrus fruits are typically matured and harvested once every year. Our biological assets decreased from RMB3.0 million as of December 31, 2019 to RMB2.1 million as of December 31, 2020, primarily because the fruits matured and were harvested close to the year end of 2020. It increased to RMB4.5 million as of December 31, 2021. The increase was mainly due to changes in fair value resulting from the diversified biological asset portfolio, an increase in yields in 2021 as well as higher estimated selling prices per unit in 2022. Our biological assets were immaterial as compared to the total current assets as of the same balance sheet date.

Our biological assets were independently valued by Vocation (Beijing) International Assets Appraisal Co., Ltd. (or "**Vocation**"), which is an independent professional qualified valuer not connected with us. See "— Valuation of Biological Assets" below.

Valuation of Biological Assets

Information about the independent valuer

We have engaged Vocation, an independent professional qualified valuer, to determine the fair value of our biological assets as of December 31, 2019, 2020 and 2021, respectively. The key valuers of Vocation team included Mr. Lu Jiang, Mr. Deng Chunhui and Ms. Shi Suhua.

Mr. Deng Chunhui is a director of Shenzhen Appraisal Society and a certified asset appraiser and certified public accountant in China. Mr. Deng has over 20 years of accounting, auditing and valuation experiences. Mr. Deng provided a wide range of valuation services to a number of companies of different industries in China, including COFCO Corporation, China Merchants Group, China Resources (Holdings) Company Limited, China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (SZ.000999), China Merchants Securities Co.,Ltd. (SH.600999), PCI Technology Group Co., Ltd. (SH.600728), etc. He also provided valuation services of biological assets for financial reporting purpose to a number of listed and private companies, including Shenzhen Nongke Group Co., Ltd. and Jiangxi Origin of Species Ecological. Agriculture Co., Ltd.

Mr. Lu Jiang is a partner of Vocation and the head of Vocation Shenzhen Branch. Mr. Lu is a certified asset appraiser, certified real estate appraiser and land appraiser in China. Mr. Lu has 16 years of valuation experience and provided services to numerous listed and private companies. He oversaw the asset valuation for reorganization of China Resources Microelectronics Limited, reorganization and initial public offering of Yihai Kerry Investment Co., Ltd., and liquidation of China Worldbest Group Co., Ltd. Other companies to which Mr. Lu has provided asset valuation services included PhiChem's Materials Technology Co., Ltd. (SH.300398), Shanghai Beite Technology Co., Ltd. (SH.603009) and Tianjin Rianlon Corporation (SZ.300596) and more.

Ms. Shi Suhua is a project manager of Vocation Shenzhen Branch and a certified asset appraiser in China. Ms. Shi acted as a lead member in providing valuation services to a number of listed and private companies for merger and acquisition, equity transfer, initial public offering and financial reporting purposes.

Based on market reputation and relevant background research on the valuer as well as on major team members in respect of the valuation of our biological assets, our Directors and the Sole Sponsor are satisfied that Vocation is independent from us and is competent in conducting a valuation on our biological assets.

Valuation methodology

In arriving at the assessed value, three generally accepted approaches have been considered, namely, the market approach, cost approach and income approach.

Due to the fact that the future economic benefits of our biological assets are predictable and may be measured by cash value, and that the risks relating to the future economic benefits are measurable, we adopted the income approach in determining the valuation of our biological assets.

Our biological assets are expendable in nature. In practice, the number of transactions of comparable fruits within the growing season and similar yields are limited. Therefore, it is difficult to obtain the market prices or value of the underlying assets under current conditions. As such, the market approach is not appropriate. On the other hand, the cost approach is adopted when there is no existing active market for the same or similar assets with the underlying assets or when it is impossible to adopt the income approach to reliably assess the valuation. Since we are able to adopt the income approach to reliably determine the valuation, the cost approach is not appropriate.

Key assumptions and inputs

During the valuation, Vocation made certain assumptions, including but not limited to, that (i) there is no material change to the political, legal, social and other macro-conditions and there is no material change to the laws and regulations applicable to our business, (ii) our biological assets will continue to be in operation and in use during the anticipated period of benefit, (iii) the accounting policies we have adopted are substantially identical to those on the valuation date and are with continuity and comparability, and (iv) the information provided by us is authentic, complete and reliable.

The key inputs for valuing our biological assets are the fruit growing yields, market prices and discounted rate.

The Reporting Accountant's opinion on the historical financial information of our Group during the Track Record Period is set out in Appendix I to this document. The Sole Sponsor has reviewed and considered the qualification and relevant valuation experience of Vocation and held an interview therewith to understand, among others, the bases, assumptions and underlying methodology adopted. The Sole Sponsor has also conducted site visits to the plantation bases concerned for the purpose of performing an independent verification of the biological assets without experiencing material limitations. In addition, the Sole Sponsor has discussed with the Reporting Accountant to understand the work they performed in relation to the valuation of biological assets for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Given the above, the Sole Sponsor is satisfied that the valuation methodology and major inputs used in the valuation of the biological assets of our Group are appropriate and reasonable.

Our Directors confirmed, and the Sole Sponsor concurred, that the components used by Vocation in the valuation process are consistent with market factors and assumptions used in the measurement.

Stock-take and internal control

We have established standard procedures to ensure accuracy of our biological assets and other relevant information. We have designated personnel at our plantation bases to monitor and record the status of the fruit trees. We carry out the stock-take procedure every six months and a full stock-take is required at each year end. Our responsive finance personnel shall conduct accounting check on the stock taking results and shall investigate the reasons for the count loss, if any. Records for stock-taking procedures shall be submitted to the finance department at the headquarters in a timely manner for further accounting purpose.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had biological assets of RMB3.0 million, RMB2.1 million, RMB4.5 million and RMB4.4 million, respectively. The following table sets forth the movement of our biological assets during the Track Record Period.

	Year Ended December 31,			Six Months Ended June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As the beginning of the year/period	1,977	3,006	2,131	4,525
Increase due to purchases and cultivation	6,341	8,594	8,274	5,231
Transfer to inventories	(5,071)	(9,620)	(5,386)	(4,597)
Changes in fair value due to biological transformation	(241)	151	(494)	(714)
At the end of the year/period	3,006	2,131	4,525	4,445

Trade Receivables

Our trade receivables primarily consist of receivables due from our franchisees and other customers of our direct sales and wholesale business in connection with their purchases of our products. We generally grant our customers a credit term of up to three months. The major customers of our direct sales include certain enterprises, restaurants and high-speed railway companies that have catering needs. Our wholesale customers are mainly large supermarkets and other fruit distributors.

The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	1,448,544	1,320,785	1,191,298	1,118,503
Less: loss allowance	(4,813)	(29,911)	(35,071)	(35,405)
Trade receivables, net	1,443,731	1,290,874	1,156,227	1,083,098

Trade receivables slightly decreased from 2019 to 2020, which was generally in line with the decrease in sales contributed by franchised stores resulting from the COVID-19 pandemic in 2020. Trade receivables further decreased from 2020 to 2021, primarily due to payments settled by franchisees and other customers during the year. Trade receivables further decreased to RMB1,083.1 million as of June 30, 2022 due to payments settled by franchisees and other customers.

We have designated finance personnel to closely review our trade receivables, aging analysis and the collectability of the trade receivables who are reporting to our finance director. These personnel shall also actively follow up with relevant franchisees or other customers who delay in payments. We will make expected credit loss allowance against the trade receivables when there is evidence of impairment. In 2019, 2020 and 2021 and the six months ended June 30, 2022, we made allowance for trade receivables in the amount of RMB4.8 million, RMB29.9 million, RMB35.1 million and RMB35.4 million, respectively.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated, based on the invoice date.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1-90 days	1,034,783	832,824	784,079	741,392
91-180 days	369,964	343,154	332,889	306,355
181-360 days	41,315	128,104	47,500	42,577
Over 1 year	2,482	16,703	26,830	28,179
	1,448,544	1,320,785	1,191,298	1,118,503

Due to the nature of our business and our trade receivables collection policies during the Track Record Period, a majority portion of our trade receivables had ages of less than three months.

The following table sets forth our trade receivables turnover days for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,
	2019	2020	2021	2022
Average trade receivables turnover days(1)	58.6	56.4	43.4	34.1

Note:

(1) Average trade receivables turnover days are based on the average balance of trade receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

Our average trade receivable turnover days continued to decrease during the Track Record Period, mainly a result of our continuous efforts to review our payment collection and enhance the practice. We expect our trade receivables turnover days will continue to be within 90 days. We have adopted various measures in order to reduce our trade receivables turnover days. We periodically review the repayment schedules of our franchisees and customers of direct sales, 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. We believe our current credit control policies are appropriate. In addition, average trade receivables turnover days decreased from 2020 to 2021, primarily due to the more timely settlement of trade receivables as sales of our franchisees and other customers improved in 2021 due to a mild recovery from the COVID-19 pandemic. Average trade receivables turnover days decreased from 43.4 days for the year ended December 31, 2021 to 34.1 days for the six months ended June 30, 2022, primarily due to our proactive payment collection.

We do not have any pledges for our trade receivables.

As of October 31, 2022, RMB863.7 million, or 77.2%, of our trade receivables as of June 30, 2022, had been subsequently collected.

Deposits, Prepayments and Other Receivables

Deposits, prepayments and other receivables mainly include prepayment to suppliers, borrowings extended to our franchisees under our financial support arrangements and factoring amounts to regional dealers and suppliers. The following table sets forth our deposits, prepayments and other receivables for the periods indicated.

	As at December 31,			As of June 30,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayment for property, plant and equipment	5,750	25,128	32,009	38,834
Prepayment for right-of-use assets	–	51,600	–	–
Rental deposits	5,906	5,620	12,297	12,612
Interest-bearing loans to franchisees	50,226	131,617	178,990	190,767
Other prepayments	23,240	36,431	101,588	112,370
	85,122	250,396	324,884	354,583
Less: loss allowance	(1,255)	(2,488)	(3,483)	(3,700)
	83,867	247,908	321,401	350,883
Current				
Rental deposits	2,178	1,211	1,355	1,473
Other deposits	5,677	7,665	6,407	6,534
Prepayment for purchases of fruits and other food products	213,942	217,217	452,288	424,171
Prepayment of [**REDACTED**] expenses	–	–	5,498	10,998
Other prepayments	15,741	41,944	62,773	49,958
Other receivables from prepaid cards sold	14,790	16,078	14,214	18,505
Interest-free loans to franchisees	13,990	–	–	–
Factoring amounts to regional dealers	148,035	179,835	221,478	169,537
Factoring amounts to suppliers	114,224	72,520	16,557	–
Interest-bearing borrowings to third parties	16,117	7,672	6,386	–
Other tax recoverable	25,938	52,623	55,483	59,666
Other receivables	17,359	27,427	23,667	28,752
	587,991	624,192	866,106	769,594
Less: loss allowance	(10,525)	(5,085)	(4,300)	(2,995)
	577,466	619,107	861,806	766,599

As of October 31, 2022, RMB15.2 million, or 82.0% of other receivables from prepaid cards sold as of June 30, 2022, was subsequently collected. As of October 31, 2022, RMB18.5 million, or 64.5% of other receivables as of June 30, 2022, was subsequently collected.

Prepayment for property, plant and equipment increased significantly from RMB5.8 million as of December 31, 2019 to RMB25.1 million as of December 31, 2020, which further increased to RMB32.0 million as of December 31, 2021. As of June 30, 2022, prepayment for property, plant and equipment amounted to RMB38.8 million. The increases were primarily in connection with our new office building under construction in Yantian, Shenzhen city which is expected to be completed in 2024.

Prepayment for right-of-use assets of RMB51.6 million as of December 31, 2020 represented prepayment for land parcel in Yantian, Shenzhen city. We are in the process of constructing a new office building which is expected to complete in 2024. The prepayment for right-of-use assets was transferred to right-of-use assets during the year ended December 31, 2021.

During the Track Record Period, we provided financial supports to our franchisees, which included interest-free loans to support franchised stores opened on or before December 31, 2018 and interest-bearing loans to support franchised stores opened on or after January 1, 2019.

With respect to interest-free loans to franchisees, no application was available after December 31, 2018 and the respective balances were fully settled by franchisees during the year ended December 31, 2020. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding interest-free loans were due from 65, nil, nil and nil franchisees, respectively, amounting to RMB14.0 million, nil, nil and nil, respectively. The successful collection of such loans reflected the stable cash flow of those franchised stores as their business operations continued.

With respect to interest-bearing loans to franchisees, we extended such loans to 196, 200, 309 and 421 franchisees with outstanding balances of RMB50.2 million, RMB131.6 million, RMB179.0 million and RMB190.8 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. Pursuant to the relevant arrangements, such loans had an interest rate at approximately 4.75% per annum and should be repaid in full prior to the expiry of the relevant franchised arrangements. For more details about our financial support arrangements with our franchisees, refer to "Business — Fruit Specialty Retail Operator with OMO and Store-as-warehouse Features — Our Distribution Channels — Offline Retail Store Network — Franchised Stores — Financial Support Provided to Franchisees."

Prepayment for purchases of fruits and other food products represented the prepayments we paid to third-party suppliers for fruits and other food products. The balance of such prepayments by the end of each year was affected by the delivery time of the products we purchased. The balances remained stable as of December 31, 2019 and 2020. It increased significantly from RMB217.2 million as of December 31, 2020 to RMB452.3 million as of December 31, 2021, primarily due to the timing difference of products delivery, our business growth and commercial reasons for securing sufficient supply of our products. As of June 30, 2022, prepayment for purchases of fruits and other food products amounted to RMB424.2 million.

We facilitate regional dealers in need of capital in obtaining financing by entering into factoring arrangements with a factoring company which is wholly owned by us. In 2019, we provided such factoring arrangements to ten regional dealers. Pursuant to the arrangements, we typically required associates of the regional dealers to provide personal guarantee. In addition, pursuant to the arrangements, the factoring arrangements had an interest rate ranging from 4.75% to 12.0% per annum and were typically repayable within one year. As of December 31, 2019, 2020 and 2021 and June 30, 2022, total outstanding factoring amounts provided to regional dealers amounted to RMB148.0 million, RMB179.8 million, RMB221.5 million and RMB169.5 million, respectively.

Factoring amounts to suppliers represented the financing we provided under factoring arrangements to support their daily operations. We typically required the controlling shareholders or the legal representatives of the suppliers to provide personal guarantee. These borrowings bore an interest rate ranging from 6.0% to 18.0% per annum and were typically repayable within one year. As of December 31, 2019, 2020 and 2021 and June 30, 2022, total outstanding factoring amounts provided to suppliers amounted to RMB153.3 million, RMB102.4 million, RMB29.2 million and RMB18.1 million, respectively.

Current portion of other prepayments primarily represented prepaid leases for our preliminary processing and distribution centers, and various prepaid service fees in connection with cloud service for online business and logistic service and others. Prepaid leases for our preliminary processing and distribution centers amounted to RMB3.4 million, RMB19.2 million, RMB19.2 million and RMB15.2 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. Prepaid cloud, logistic and other service fees amounted to RMB12.3 million, RMB22.7 million, RMB43.6 million and RMB34.8 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. The increases were mainly attributable to the increasing cloud services we used for the expansion of our online operations. In addition, there were prepaid engineering service fee of RMB5.0 million as of December 31, 2021, which was in connection with our new office building under construction in Yantian, Shenzhen city. Non-current portion of other prepayments primarily represented prepayments we assumed in connection with equipment and decoration for franchised stores under our modified arrangements. The increases during the Track Record Period were mainly due to the increase in the number of franchised stores adopting the modified arrangements from 162 stores in 2019 to 317 stores in 2020, and further to 826 stores in 2021. As of June 30, 2022, there were 930 franchised stores adopting the modified arrangements.

Financial Assets

The following table sets forth a breakdown of our investments for the periods indicated.

	As of December 31,			As of June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current portion				
Financial assets at FVOCI	76,349	65,362	10,864	20,434
– Listed equity securities	11,172	9,953	4,989	2,908
– Unlisted equity securities	65,177	55,409	5,875	17,526
Financial assets at FVTPL	79,716	75,166	82,286	81,313
– Unlisted compound financial instrument	79,716	75,166	82,286	81,313
Current portion				
Financial assets at FVTPL	765,822	414,744	1,039,995	229,954
– Unlisted structured deposit	765,822	414,744	1,039,995	229,954
	921,887	555,272	1,133,145	331,701

During the Track Record Period, financial assets at FVTPL mainly represented investments in structured deposits. To a lesser extent, fair value gains on financial assets at FVTPL also included changes in fair value connection with loans which were convertible to equity interests in the borrowers pursuant to the relevant agreements. For the purpose of better cash management, we from time to time purchased short-term low-risk structured deposits from reputable commercial banks. We have implemented capital and investment policies to monitor and control the risks in connection with such investments. In principle, we may only make investments in structured deposits when we have surplus cash.

We only invest in structured deposits with low risk and high liquidity, such as structural deposits. We also consider the estimated economic returns, as well as the creditability and our historical relationships with the relevant financial institutions, so as to achieve our best interest. Our finance department is responsible for preparing the investment allocation schemes based on our surplus cash and the comparison of the safety, liquidity and estimated returns of the structured deposits of various financial institutions. An investment allocation scheme shall only be implemented after it is approved by the head of the finance department, our general manager and our finance director and the relevant contracts are reviewed and confirmed by our legal department. Investments in principal guaranteed and low-risk wealth management products with a term shorter than six months shall be reviewed and approved by the general manager in charge of finance business and the head of finance department. Investments in principal guaranteed and low-risk wealth management products with a term longer than six months shall be reviewed and approved jointly by the general manager in charge of finance business, the head of finance department and the Group finance center. In principle, we do not allow investment in non-principal guaranteed wealth management products. Any investment of such kind should be subject to a case-by-case review and approval by the general manager in charge of finance business, the head of finance department and the Group finance center and securities department. If an agreement could not be achieved by these department, the proposal may be further submitted to our chairman and Board of Directors for approval. All investments shall be properly documented and submitted through our ERP system and the relevant contracts may only be signed after being reviewed by our legal department. There are designated personnel from the finance department to closely monitor and analyze the structured deposits we have purchased, and shall take risk control measures immediately once any circumstance that may adversely affect the safety of the investment is identified. In addition, the relevant personnel shall also redeem the investments in a timely manner when the investment term expires, so as to ensure a safe collection of our investments. We intend to continue to invest in short-term and low-risk structured deposits and we will ensure all such investments to comply with the applicable laws and regulations, including the relevant requirements under Chapter 14 of the Listing Rules after the [**REDACTED**].

Our financial assets at FVOCI comprise (i) unlisted equity securities and (ii) listed equity securities whereby we invested in companies that we consider have development potentials. Our financial assets at FVTPL are mainly unlisted structured deposits and unlisted compound financial instruments, including convertible debts and redeemable shares, whereby we have the option to either convert our debt investments into shares of some of our investee, or redeem funds from equity investment of other of our investees.

During the Track Record Period, most of our financial assets at FVOCI and financial assets at FVTPL were classified as level 3 for recurring fair value measurement. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

We have engaged an independent and qualified valuer to determine the fair value of material unlisted equity securities. Our finance department also includes a team that performs the valuations of non-property items required for financial reporting purposes, which is directly reporting to our finance director and Directors. Discussions of valuation processes and results are held between the finance director, the Directors and the valuation team at least once every year.

Specific valuation techniques used to value financial instruments classified in level 3 include:

- Listed equity securities — Quoted market prices;

- Unlisted equity securities — Market approach with price-to-earnings ratio for similar instruments, adjusted by discount for lack of marketability;

- Unlisted structured deposits — Discounted cash flow model with unobservable inputs including assumptions of expected future cash flows; and

- Compound financial instruments — Binominal tree model with unobservable inputs including assumptions of expected future cash flows and probability to meet conversion conditions, such conditions include meeting revenue growth target and gross profit target.

For more details about the fair value measurement of our financial assets, refer to Note 3.3 to the Accountant's Report included in Appendix I to this document.

We have implemented internal procedures to ensure the reasonableness of fair value measurement on our financial assets. In relation to the valuation of the financial assets, our Directors and management adopted the following procedures: (i) carefully reviewed the conditions and terms of the agreements in connection with such financial assets, (ii) considered the key basis and assumptions for the valuation which require management assessments and estimates, and (iii) performed a sensitivity analysis of the fair value measurement. Based on these procedures, our Directors are of the view that they have had exercised due and reasonable care, skill and diligence in discharge of their duties. In addition, in terms of the preparation of the historical financial information of our Group for the Track Record Period as a whole set out in the Accountant's Report in Appendix I to this document, our Directors are of the view that the valuation analysis on the financial assets that were classified in level 3 is fair and reasonable.

Details of the fair value measurement of 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 are disclosed in Note 3.3 to the Accountant's Report in Appendix I to this document which was issued by the Reporting Accountant 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.

The Reporting Accountant's opinion on historical financial information of our Group for the Track Record Period as a whole is set out in the Accountant's Report in Appendix I to this document.

In relation to the valuation of the Group's level 3 financial assets at FVTPL, the Sole Sponsor has conducted, among others, the following due diligence work:

(i) discussed with the management of the Company to understand the Group's internal policies and procedures regarding valuation assessment of level 3 financial assets and the key basis, methodologies and assumptions adopted by the Group for such valuation assessment;

(ii) reviewed relevant notes to the Accountant's Report and the unqualified opinion of the Reporting Accountant on the historical financial information of the Group as contained in Appendix I to this document;

(iii) discussed with the Reporting Accountant to understand the work they have performed in relation to the valuation of level 3 financial assets for the purpose of reporting on the historical financial information of the Group as a whole;

(iv) reviewed the relevant underlying agreements concerning the corresponding level 3 financial assets during the Track Record Period;

(v) obtained and reviewed the relevant valuation reports prepared by external independent qualified valuer; and

(vi) interviewed the relevant external independent qualified valuer about the key basis, methodologies and assumptions adopted for their valuation of level 3 financial assets.

Based on the due diligence work conducted as described above, and having taken into account the work performed by the Company's management and the unqualified opinion on the historical financial information of the Group as a whole issued by the Reporting Accountant included in Appendix I to this Document, nothing has come to the attention of the Sole Sponsor that would reasonably cause the Sole Sponsor to question in any material respect the valuation of the level 3 financial assets as reflected in the historical financial information of the Group as a whole as set out in Appendix I to this Document.

Restricted Bank Deposits

Restricted bank deposits primarily represented the restricted deposits in the designated bank accounts in connection with our prepaid gift cards and guaranteed deposits that are restricted in use for certain banking arrangements of our Group. Pursuant to the relevant laws and regulations, we are required to deposit a certain percentage of the proceeds from sales of prepaid gift cards to designated bank accounts. We had restricted bank deposits in the amount of RMB177.0 million, RMB275.4 million and RMB273.7 million as of December 31, 2019, 2020 and 2021, respectively. The gradual increases in restricted bank deposits were mainly due to our business growth and both the number of our consumers and the sales of prepaid gift cards continued to increase.

Cash and Cash Equivalents

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had cash and cash equivalents plus short-term bank deposits, of RMB317.2 million, RMB654.7 million, RMB814.7 million and RMB1,977.5 million, respectively, all of which were denominated in Renminbi. Cash and cash equivalents increased from 2019 to 2020 primarily due to the addition of bank borrowings.

Trade Payables

Our trade payables amounted to RMB378.8 million, RMB304.9 million, RMB345.2 million and RMB500.6 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. Our trade payables primarily consist of payables due to our suppliers. Our suppliers generally grant us a credit term of up to one month.

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 June 30,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1-30 days	361,555	282,426	317,811	466,048
31-60 days	6,552	18,022	20,757	20,948
61-90 days	1,856	3,272	2,224	2,836
Over 90 days	8,872	1,212	4,404	10,721
Total	378,835	304,932	345,196	500,553

The following table sets forth our trade payables turnover days for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30.
	2019	**2020**	**2021**	**2022**
Average trade payables turnover days[(1)]	16.0	15.5	13.0	14.5

Note:

(1) Average trade payables turnover days are based on the average balance of trade payables divided by total cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

Average trade payables turnover days remained stable in 2019 and 2020 and decreased from 2020 to 2021, primarily because the procurements for our wholesale business extended from the end of 2021 to early 2022 while usually it was completed by the end of each year.

As of October 31, 2022, RMB485.2 million, or 96.9% of our trade payables as of June 30, 2022, had been subsequently settled.

Accruals and Other Payables

We record accruals and other payables in connection with various aspects of our operations, including staff payroll payables, sales proceeds collected on behalf of our franchisees, prepayments from certain customers, and other tax payables. Total accruals and other payables amounted to RMB907.6 million, RMB1,091.3 million, RMB1,250.3 million and RMB1,257.1 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. The continuous increase was in line with our business growth and expansion.

The following table sets forth our accruals and other payables as of the dates indicated.

	As of December 31,			As of June 30, 2022
	2019	2020	2021	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expenses	23,042	31,095	42,313	49,240
Accrued [**REDACTED**] expenses	–	–	8,862	10,767
Net proceeds of franchised stores	91,070	150,567	194,231	131,689
Receipt on behalf for prepaid cards	155,321	200,040	251,405	276,515
Stored value in member's accounts	344,980	392,022	335,660	405,850
Membership fee received	30,531	32,042	41,953	37,008
Salaries and welfare payables	187,021	178,959	257,477	223,381
Other tax payables	4,039	4,097	8,670	3,071
Deposits received	48,747	89,813	96,922	103,983
Other payables	22,828	12,669	12,836	15,606
	907,579	1,091,304	1,250,329	1,257,110

Accrued expenses mainly represented the payable logistic expenses which continued to increase during the Track Record Period as our business grew.

Net proceeds of franchised stores represented the amount after applicable deductions agreed from the daily sales proceeds of the franchised stores that were temporarily collected by us prior to the settlement at each month end. To exert our management over the franchised stores, we adopt an integrated store-level POS system which is linked to our Pagoda ERP system, through which we are able to monitor the sales activities at the stores on a real-time basis. All sales proceeds generated from the franchised stores shall be deposited to the designated accounts of us on a daily basis. We settle with the franchised stores on a monthly basis by remitting back the sales proceeds after deducting (i) their respective monthly royalty fee, (ii) the reserved working capital for the operations of the relevant franchised stores in next month we estimate based on each store's performance, (iii) repayment of interest-free borrowings under our financial support arrangements, if applicable, and (iv) the outstanding purchase amounts of fruits and other food products from us. For more details, refer to "Business — Settlement and Cash Management." Receipt of sale proceeds increased significantly during the Track Record Period, which was in line with the franchised store network expansion and the increased sales.

Receipt on behalf for prepaid cards represented the amounts prepaid but not yet consumed in our bearer prepaid gift cards. Card holders may shop in any of the stores by using such cards. Most of our prepaid cards are sold to corporate customers.

Stored value in member's accounts represented the prepaid but not yet consumed amounts in the virtual membership accounts. During the Track Record Period, our stored value in member's accounts fluctuated in line with the changes in the number of members.

Salaries and welfare payables recorded at each year end were primarily in connection with our year-end additional salaries and bonuses. Salaries and welfare payables were relatively lower by the end of 2020, primarily due to the negative impact from the COVID-19 pandemic.

Deposits received mainly represented the contract performance bond and operation bond paid by our franchisees for each franchised store during the term of the franchise arrangements, as well as the operation bond paid by our regional dealers. Such deposits are refundable upon the termination of the respective arrangements after settling any deductible payables by the franchisees or regional dealers as provided under the arrangements. Accumulated deposits received increased during the Track Record Period, primarily due to the continuous net increase in the number of the franchised stores.

Contract Liabilities

Our contract liabilities mainly related to the deferred royalty and franchising income received from franchisees but not yet recognized which amounted to RMB40.5 million, RMB48.5 million and RMB49.1 million as of December 31, 2019, 2020 and 2021, respectively. As of June 30, 2022, contract liabilities amounted to RMB45.1 million. As of October 31, 2022, RMB7.0 million, or 15.6% of contract liabilities as of June 30, 2022, was subsequently recognized.

Lease Liabilities

We have adopted the HKFRS 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. All of our preliminary processing and distribution centers, self-operated stores and offices are located on leased properties. As of December 31, 2019, 2020 and 2021 and June 30, 2022, our lease liabilities, including current and non-current portion, amounted to RMB280.1 million, RMB291.7 million, RMB571.0 million and RMB544.1 million, respectively. The continuous increases were mainly relating to the increase in our added leased areas every year.

Certain Non-current Items

Interests in associates and joint ventures

Our interests in associates and joint ventures increased from RMB112.1 million as of December 31, 2019 to RMB259.0 million as of December 31, 2020, and further increased to RMB324.5 million as of December 31, 2021. As of June 30, 2022, interests in associates and joint ventures amounted to RMB336.9 million. Such increases were primarily due to our continuous investment activities during the Track Record Period. For details, see Note 20 to the Accountant's Report in Appendix I to this Document.

Intangible assets

Our intangible assets mainly represented trademark, software and customer relationship.

Our intangible assets increased from RMB246.3 million as of December 31, 2019 to RMB252.0 million as of December 31, 2020, primarily due to the acquisition and upgrades of software. Our intangible assets decreased from RMB252.0 million as of December 31, 2020 to RMB247.7 million as of December 31, 2021, primarily due to amortization over estimated useful lives. Our intangible assets further slightly decreased to RMB241.4 million as of June 30, 2022, primarily due to amortization over estimated useful lives.

INDEBTEDNESS

General

The following table sets forth the our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current					
Short-term bank borrowings	586,730	904,417	1,424,800	1,280,000	1,257,800
Portion of long-term bank borrowings due for repayment within one year	8,055	6,652	10,627	9,918	10,147
Lease liabilities	30,986	30,710	52,051	51,371	33,232
	625,771	941,779	1,487,478	1,341,289	1,301,179
Non-current					
Long-term bank borrowings	26,000	18,000	17,084	15,676	68,440
Lease liabilities	249,112	260,991	518,937	492,764	441,719
	275,112	278,991	536,021	508,440	510,159
Total	900,883	1,220,770	2,023,499	1,849,729	1,811,338

Our total outstanding borrowings increased during the Track Record Period, which was in line with our increasing capital needs for the business development. The weighted average interest rates on our outstanding borrowings were 4.67%, 4.11%, 3.86% and 3.75% as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our borrowings are all denominated in Renminbi.

We used these bank loans primarily for our working capital needs. Our bank borrowings were generally secured by our equity in certain subsidiaries and/or some were guaranteed by our subsidiaries and our Controlling Shareholders. Our Controlling Shareholders had guaranteed certain of our borrowings up to RMB604.0 million, RMB880.0 million, RMB1,424.8 million and RMB1,280.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, which will be released prior to the [**REDACTED**].

Our loan agreements contained standard terms and conditions that are customary for commercial bank loans in the PRC. Our loan agreements contain material covenants that, among others, restrict us from conducting mergers, acquisitions, divisions or other reorganizations, disposing of material assets, making material investments, or incurring material indebtedness, without obtaining the prior consent from the relevant banks. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any breach of these covenants that could have a material adverse effect on our business operations, nor did we experience any default in repayment of our bank loans or have any difficulties in obtaining additional bank facilities with terms that are commercially acceptable to us. We do not expect such covenants provided in our loan agreements would materially restrict our overall ability to undertake additional debts or equity financing necessary to carry out our business plans in the future.

As of June 30 and October 31, 2022, we had unutilized banking facilities of approximately RMB1,410.0 million and RMB1,579.0 million, respectively, which are not committed nor restricted. Our Directors confirmed that we do not currently have any concrete and material external financing plans outside our ordinary course of business. We do not anticipate any material changes to the availability of bank financing to finance our operations in the future, although there is no assurance that we will be always able to access bank financing on favorable terms or at all.

Save as disclosed in this section headed "Financial Information", and apart from intra-group liabilities, as of the Latest Practicable Date, we did not have any other outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, guarantees or any material contingent liabilities.

Contingent Liabilities

As of December 31, 2019, 2020 and 2021, June 30, 2022 and the Latest Practicable Date, we did not have any significant contingent liabilities.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into procurement agreements with certain related parties. The total procurement amounts from our related parties amounted to RMB342.6 million, RMB418.4 million, RMB543.3 million and RMB315.9 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, total trade payables to our related parties under such procurement agreements were RMB18.5 million, RMB17.9 million, RMB15.9 million and RMB4.2 million, respectively. We purchased from 7, 12, 9 and 8 related suppliers in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The purchase amounts from related suppliers accounted for approximately 4.4%, 5.5%, 6.2% and 6.6% of total cost of goods sold from third party suppliers in 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively. The procurement agreements we entered into with related parties were on normal commercial terms substantially identical to those with other independent third parties.

In addition, we also entered into fruit sales agreements with certain related parties who were mainly fruit wholesale companies. The total sales amounts to our related parties amounted to RMB27.0 million, RMB36.6 million, RMB41.5 million and RMB22.1 million, respectively, in 2019, 2020 and 2021 and the six months ended June 30, 2022. As of December 31, 2019, 2020 and 2021 and June 30, 2022, total trade receivables from our related parties under such sales agreements were nil, nil, nil and nil, respectively. The sales agreements we entered into with related parties were on normal commercial terms substantially identical to those with other independent third parties.

During the Track Record Period, we provided interest-bearing loans to related parties to support their capital needs during daily operations. In 2019, 2020 and 2021 and the six months ended June 30, 2022, we received interest income from the relevant related parties amounted to RMB4.6 million, RMB4.9 million, RMB2.7 million and RMB0.6 million, respectively. As of December 31, 2019, 2020 and 2021 and June 30, 2022, the outstanding balances of such borrowings were RMB33.9 million, RMB29.9 million, RMB12.6 million and RMB18.1 million, respectively. None of the relevant related parties is a connected person as defined in the Listing Rules.

Moreover, our Controlling Shareholders, namely Mr. Yu and Ms. Xu Yanlin, provided guarantees for our bank borrowings in the aggregate amount of RMB604.0 million, RMB880.0 million, RMB1,424.8 million and RMB1,436.0 million, respectively, as of December 31, 2019, 2020 and 2021 and June 30, 2022. All of these guarantees will be released prior to the [**REDACTED**].

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.

SUBSEQUENT EVENT

While we have considered the potential financial impacts of COVID-19 in the preparation of the financial statements for the Track Record Period, the full extent of the probable impacts of the COVID-19 disruptions to our operating and financial performance for the financial year ending December 31, 2022 and onwards remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by our management could occur in the future and our assets may be subject to impairment loss in the subsequent financial periods.

We have been closely and constantly monitoring the impacts from the COVID-19 on our businesses to ensure the safety of employees and stable operations. Based on the information currently available, our Directors confirmed that there was no material adverse change in the financial or trading position of our Group up to the date of the Accountant's Report in Appendix I to this document. However, the actual impacts may differ from these estimates as the situation continues evolving and an assessment thereof is subject to further information available in the future.

Save as disclosed above under the subsection headed "— Subsequent Event", there have been no other material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the periods or as of the dates indicated.

	As of/Year Ended December 31,			As of/Six Months Ended June 30,
	2019	2020	2021	2022
Gross profit margin *(%)*[(1)]	9.8	9.1	11.2	11.5
Net profit margin *(%)*[(2)]	2.8	0.5	2.2	3.2
Adjusted net profit margin (%)[(3)]	2.8	0.7	2.4	3.5
Current ratio *(time)*[(4)]	1.9	1.5	1.4	1.5
Quick ratio *(time)*[(5)]	1.7	1.4	1.4	1.4
Gearing ratio *(%)*[(6)]	25.8	36.7	53.5	44.9
Average inventory turnover days *(day)*[(7)]	7.7	11.2	10.1	8.8

Notes:

(1) Calculated using gross profit for the year/period divided by total revenue for the year/period, see "— Description of Major Components of Our Results of Operations — Gross Profit and Gross Profit Margin."

(2) Calculated using net profit for the year/period divided by total revenue for the year/period, see "— Description of Major Components of Our Results of Operations — Profit for the Year/Period."

(3) A non-HKFRS measure, calculated as adjusted net profit for the year/period divided by total revenue for the year/period; adjusted net profit represents profit for the year/period before [**REDACTED**] expenses.

(4) Calculated using current assets divided by current liabilities at the end of year/period.

(5) Calculated using current assets minus inventory, divided by current liabilities at the end of year/period.

(6) Total borrowings divided by total equity at the end of year/period and multiplied by 100%.

(7) Calculated based on the average balance of inventory divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 and the six months ended June 30 is 365 days and 180 days, respectively.

Current Ratio

Current ratio decreased from 1.9 times in 2019 to 1.5 times in 2020, primarily due to an increase in accruals and other payables mainly in connection with sale proceeds received on behalf of franchisee, receipt on behalf for prepaid cards and stored value in member's accounts, and an increase in short-term borrowings. Current ratio further decreased from 1.5 times in 2020 to 1.4 times in 2021, primarily due to an increase in short-term borrowings. Current ratio increased to 1.5 times for the six months ended June 30, 2022, primarily due to the cash inflow from decrease in long-term bank deposits and our business development during such periods.

Quick Ratio

Quick ratio remained relatively stable at 1.7 times, 1.4 times, 1.4 times and 1.4 times in 2019, 2020 and 2021, and the six months ended June 30, 2022, respectively.

Gearing Ratio

Gearing ratio increased from 25.8% in 2019 to 36.7% in 2020, and further increased to 53.5% in 2021, primarily due to an increase in short-term borrowings. Gearing ratio decreased to 44.9% for the six months ended June 30, 2022, primarily due to a decrease in short-term borrowings.

Average Inventory Turnover Days

See "— Selected Items of Components of Consolidated Statements of Financial Position — Net Current Assets/Liabilities — Inventories."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to various market risks, including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk, as well as credit risk and liquidity risk. Our risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. We have control policies in place and the exposure to these risks are monitored on an on-going basis by the Board.

Market risk

Foreign exchange risk

We operate in China and most of our transactions are denominated in Renminbi. We are exposed to foreign exchange risk primarily through certain sales and purchases transactions that are denominated in U.S. dollar. We manage our exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. We ensure that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

If U.S. dollar had strengthened/weakened by 5% against Renminbi, with all other variables held constant, the profit before income tax for the year ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 would have been RMB889,000, RMB955,000, RMB3,234,000, RMB1,968,000 and RMB936,000 higher/(lower) respectively, mainly as a result of foreign exchange gains/losses on translation of U.S. dollar denominated financial assets.

Cash flow and fair value interest rate risk

Our interest rate risk mainly arises from cash and cash equivalents and restricted bank deposits at variable interest rate which are subject to cash flow interest rate risk. If the interest rate risk of cash and cash equivalents and restricted bank deposits had been 50 basis points higher/lower, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 would have been approximately RMB2,471,000, RMB3,650,000, RMB2,992,000, RMB1,776,000 and RMB4,529,000 higher/lower, respectively.

Our interest rate risk also arises from bank borrowing at variable interest rate. If the interest rate of bank borrowing had been 50 basis points higher/lower, the profit before income tax for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 would have been approximately RMB3,104,000, RMB4,645,000, RMB7,263,000, RMB6,268,000 and RMB6,528,000 lower/higher, respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, we are exposed to fair value interest rate risk in relation to financial assets at FVTPL and fixed rate loan receivables. Management considers the fair value interest rate risk exposure is insignificant to us during the Track Record Period.

Price risk

Our exposure to price risk arises from biological assets, investments in wealth management products, compound financial instruments and equity securities held by us and classified in the consolidated statements of financial position as at FVTPL and FVOCI.

To manage our price risk arising from biological assets and investments, we diversify our portfolio. Each biological asset and investment is managed by management on a case by case basis. Management considers the price risk exposure for biological assets is insignificant to us. For the investments, the sensitivity analysis is performed by management, see Note 3.3 for details.

Credit risk

Credit risk is managed at group basis. Credit risk primarily arises from trade receivables, deposits and other receivables, amounts due from associates, loans to associates, and cash and bank balances included in the consolidated statements of financial position which represent our maximum exposure to credit risk in relation to our financial assets.

Risk management

To manage risk arising from cash and cash equivalents and restricted bank deposits, we only transact with state-owned or reputable financial institutions in China. There has been no recent history of default in relation to these financial institutions.

To manage risk arising from trade receivables, we have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in our outstanding trade receivable balances due from them is not significant.

For deposits and other receivables, and amounts due from associates and loans to associates, management makes periodic assessment on the recoverability based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in our outstanding balances due from us is not significant.

Impairment of financial assets

Trade receivables

We apply the simplified approach to provide for expected credit losses (or "**ECL**") prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

We consider the credit risk characteristics and the invoice date ageing of the trade receivables to measure the expected credit loss. We have assessed the expected credit loss by considering historical default rates, existing market conditions and forward-looking information. Based on our assessment, the credit risk for these trade receivables was not significant.

There is no significant concentrations of credit risk which arise from trade receivables from our customers. Apart from certain specific written off during the Track Record Period due to unforeseen circumstances, management does not expect significant losses from non-performance by these counterparties based on historical settlement pattern. We maintain frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by our management to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. We categorize a receivable for write-off when a debtor fails to make contractual payments more than one year past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deposits and other receivables and amounts due from associates

Deposits and other receivables include of interest-bearing loans and interest-free loans to franchisees, factoring amounts to regional dealers, factoring amounts to suppliers and interest-bearing loans to third parties, rental and other deposits, proceeds receivables from prepaid cards sold, and other receivables.

We consider the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. We consider available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrow and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. We categorise a loan or receivable for write-off when a debtor fails to make contractual payments more than 180 days past due. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

We use below categories for deposits and other receivables, amounts due from associates and loans to associate, which reflect their credit risk and how the loss provision is determined for each of those categories. A summary of the assumptions underpinning our expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Loans whose credit risk is in line with original expectations.	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).

Category	Company definition of category	Basis for recognition of expected credit loss provision
Underperforming	Loans for which a significant increase has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail).	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses (stage 3).
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off

Over the term of the receivables, we account for our credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, we consider historical loss rates for each category of associates, franchisees, regional dealers and suppliers, and adjusts for forward-looking macroeconomic data.

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

The loss allowances for trade receivables, deposits and other receivables as at December 31, 2019, 2020 and 2021 and June 30, 2022 reconcile with the opening loss allowances as follows:

	Trade receivables		Deposits and other receivables	
	Individual basis	Collective basis	Individual basis	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	1,663	7,892	9,555
Impairment losses for the year	–	3,150	7,898	11,048
Receivables written off as uncollectible	–	–	(4,010)	(4,010)
At 31 December 2019	–	4,813	11,780	16,593
Impairment losses/(reversal) for the year	20,481	4,617	(4,207)	20,891
At 31 December 2020	20,481	9,430	7,573	37,484
Impairment losses for the year	6,726	(1,566)	210	5,370
At 31 December 2021	27,207	7,864	7,783	42,854
Impairment losses/(reversal) for the period	–	334	(1,088)	(754)
At 30 June 2022	27,207	8,198	6,695	42,100

Liquidity risk

With prudent liquidity risk management, we aim to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term borrowings. For a detailed analysis on non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date, please refer to Note 3.1(c) to the Accountant's Report included in Appendix I to this document.

Capital risk management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

We monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt/cash divided by total capital (the sum of total equity and net debt/cash), as shown in the consolidated statements of financial position. Net debt/cash is calculated as total borrowings and lease liabilities less cash and cash equivalents, bank deposits and restricted bank deposits.

Our strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The gearing ratio (defined as net debt divided by total capital) as at December 31, 2019, 2020 and 2021 and June 30, 2022 were as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	620,785	929,069	1,452,511	1,305,594
Lease liabilities	280,098	291,701	570,988	544,135
Less:				
Cash and cash equivalents	(317,248)	(454,636)	(564,666)	(1,897,504)
Bank deposits	–	(450,100)	(350,000)	(110,000)
Restricted bank deposits	(176,979)	(275,395)	(273,699)	(268,323)
Net debt/cash	406,656	40,639	835,134	(426,098)
Total equity	2,403,273	2,528,922	2,717,414	2,907,617
Total capital	2,809,929	2,569,561	3,552,548	2,481,519
Gearing ratio	14%	2%	24%	N/A

Substantial decrease in gearing ratio for the year ended December 31, 2020 resulted primarily from increase in cash and cash equivalents, bank deposits and restricted bank deposits.

Substantial increase in gearing ratio for the year ended December 31, 2021 resulted primarily from increase in bank borrowings and lease liabilities.

Substantial decrease in gearing ratio for the six months ended June 30, 2022 resulted primarily from increase in cash and cash equivalents.

DIVIDEND

We may distribute dividends by way of cash or by other means that we consider appropriate, based on various factors such as our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, our capital requirements, future business plans and prospects and other factors that we may consider relevant.

A decision to declare and pay any dividend would require the approval of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval.

We did not declare any dividends during the Track Record Period. Any past dividend distribution records may not be used as a reference or basis in determining the level of dividends that may be declared or paid by us in the future.

We currently intend to adopt, after our [**REDACTED**], a general annual dividend policy of declaring and paying dividends on an annual basis of no less than 20% of our distributable net profit in the future, subject to, among other things, our operational needs, earnings, financial condition, working capital requirements and future business plans as our Board may deem relevant at such time. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

[REDACTED] EXPENSES

During the Track Record Period, we incurred [**REDACTED**] expenses of approximately RMB[**REDACTED**] million, of which RMB[**REDACTED**] million was recognized as administrative expenses in our consolidated statement of profit or loss for the year ended December 31, 2021 and for the six months ended June 30, 2022, and RMB[**REDACTED**] million was directly attributable to the issuance of [**REDACTED**] and was capitalized as prepayments and will be deducted from equity. We expect to incur additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] million, of which RMB[**REDACTED**] million is expected to be recognized as administrative expenses for the year ending December 31, 2022 and RMB[**REDACTED**] million is expected to be directly attributable to the issuance of [**REDACTED**] and will be deducted from equity directly. Our Directors estimate that the total amount of expenses in relation to the [**REDACTED**] and [**REDACTED**] is approximately RMB[**REDACTED**] million, accounting for approximately of [**REDACTED**]% of the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of [**REDACTED**] stated in this document, and [**REDACTED**] is not exercised). The [**REDACTED**] expenses include (a) [**REDACTED**] expenses of RMB[**REDACTED**] million, representing [**REDACTED**]% of the [**REDACTED**]; and (b) [**REDACTED**] expenses, comprising professional fees of legal counsels and reporting accountant of RMB[**REDACTED**] million, representing [**REDACTED**]% of the [**REDACTED**], and other fees and expenses of RMB[**REDACTED**] million, representing [**REDACTED**]% of the [**REDACTED**].

DISTRIBUTABLE RESERVES

As of June 30, 2022, our retained earnings amounted to approximately RMB439.8 million. It represented our distributable reserves as of June 30, 2022 according to our articles of association and the applicable laws and regulations in China.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of [**REDACTED**] on our net tangible assets as of June 30, 2022 as if [**REDACTED**] had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as of June 30, 2022 or any subsequent dates, including following [**REDACTED**].

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2022	**Estimated [REDACTED] from [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2022**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000 [(1)]	*RMB'000* [(2)]	*RMB'000*	*RMB*[(3)]	*HK$ equivalent*[(4)]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share . .	2,596,575	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share .	2,596,575	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of the Company as of December 31, 2021 is extracted from "Appendix I — Accountant's Report" to this document, which is based on the audited consolidated equity attributable to owners of the Company as of June 30, 2022 of approximately RMB2,838.0 million with an adjustment for the goodwill and intangible assets as at June 30, 2022 of approximately RMB170.5 million and RMB70.9 million.

(2) The estimated [**REDACTED**] from [**REDACTED**] are based on [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share and HK$[**REDACTED**] per H Share, being the low and high end of the indicative [**REDACTED**], after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately RMB[**REDACTED**] million which have been recognised in the consolidated statement of profit or loss prior to June 30, 2022 and takes no account of any Shares which may be issued upon exercise of [**REDACTED**]).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] were in issue assuming that the [**REDACTED**] has been completed on June 30, 2022 but takes no account of any Shares which may be issued upon exercise of [**REDACTED**].

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.00 to RMB[0.816].

(5) No adjustment has been made to reflect any trading results, dividends declared or other transactions of our Group entered into subsequent to June 30, 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 document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2022, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2022 which would materially affect the information as set out in the Accountant's Report in Appendix I to this document.

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

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**]:

	Assuming the [REDACTED] is not exercised	**Assuming the [REDACTED] is exercised in full**
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 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;

- 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;

- 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;

- 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;

- 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

- 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;

- 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.

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**].

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The following is the text of a report set out on pages [I-[●]] to [I-[●]], received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] ***[Draft]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN PAGODA INDUSTRIAL (GROUP) CORPORATION LIMITED (FORMERLY KNOWN AS SHENZHEN PAGODA ORCHARD INDUSTRIAL DEVELOPMENT CO., LTD.) AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Shenzhen Pagoda Industrial (Group) Corporation Limited (formerly known as Shenzhen Pagoda Orchard Industrial Development Co., Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-[●]] to [I-[●]], which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, the Company statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 (the "Track Record Period") 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-[●]] to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the "Document") in connection with the initial [**REDACTED**] of H shares of the Company [**REDACTED**].

Directors' responsibility for the 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 set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers 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 set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Notes [2.1] to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative 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 inquiries, 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 Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note [2.1] to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-[●]] have been made.

Dividends

We refer to note [14] to the Historical Financial Information which states that no dividends have been paid by Shenzhen Pagoda Industrial (Group) Corporation Limited and the companies now comprising the Group in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA. ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	5	8,976,133	8,853,693	10,289,375	5,525,424	5,914,721
Cost of sales	8	(8,099,777)	(8,046,263)	(9,132,939)	(4,924,177)	(5,237,328)
Gross profit		876,356	807,430	1,156,436	601,247	677,393
Other income	6	59,484	49,195	34,559	18,295	29,526
Other gains, net	7	34,046	28,203	8,055	7,635	7,676
Selling expenses	8	(344,863)	(394,593)	(451,730)	(220,561)	(246,184)
Administrative expenses	8	(236,871)	(215,591)	(302,612)	(154,094)	(152,672)
Net (provision)/reversal of impairment loss on financial assets	24, 25	(11,048)	(20,891)	(5,370)	(11,783)	754
Research and development expenses	8	(59,252)	(106,053)	(139,742)	(65,222)	(86,280)
Operating profit		317,852	147,700	299,596	175,517	230,213
Finance income	11	3,031	12,192	24,091	5,137	15,423
Finance costs	11	(44,673)	(52,065)	(78,190)	(33,781)	(43,499)
Finance costs, net	11	(41,642)	(39,873)	(54,099)	(28,644)	(28,076)
Share of (losses)/profit of associates and joint ventures, net	20	(7,529)	(9,763)	16,483	9,536	9,444
Loss on impairment of an associate	20	–	(26,354)	–	–	–
Profit before income tax		268,681	71,710	261,980	156,409	211,581
Income tax expense	12	(20,384)	(26,052)	(36,164)	(20,363)	(21,498)
Profit for the year/period		248,297	45,658	225,816	136,046	190,083
Profit is attributable to:						
Owners of the Company		249,453	49,063	234,798	141,462	198,985
Non-controlling interests		(1,156)	(3,405)	(8,982)	(5,416)	(8,902)
		248,297	45,658	225,816	136,046	190,083
Earnings per share for profit attributable to the owners of the Company						
Basic and diluted (expressed in RMB cents per share)	13	16.63	3.27	15.65	9.43	13.27

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Profit for the year/period		248,297	45,658	225,816	136,046	190,083
Other comprehensive income/(loss)						
Items that will not be subsequently reclassified to profit or loss						
Share of other comprehensive income of interests in associates and joint venture	20	84	–	–	–	–
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")	21	38,419	9,629	(49,437)	(58,077)	(822)
Income tax relating to these items	31	(9,578)	524	5,884	5,994	(500)
Other comprehensive income/(loss) for the year/period, net of tax		28,925	10,153	(43,553)	(52,083)	(1,322)
Total comprehensive income for the year/period		277,222	55,811	182,263	83,963	188,761
Total comprehensive income/(loss) for the year/period is attributable to:						
Owners of the Company		278,378	59,216	191,245	89,379	197,663
Non-controlling interests		(1,156)	(3,405)	(8,982)	(5,416)	(8,902)
		277,222	55,811	182,263	83,963	188,761

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	15	214,285	247,334	308,027	331,259
Right-of-use assets	16	292,202	294,927	609,620	575,064
Investment property	17	2,753	2,622	2,618	2,574
Intangible assets	18	246,337	251,962	247,729	241,400
Interests in associates and joint ventures	20	112,138	258,956	324,451	336,856
Financial assets at FVOCI	21	76,349	65,362	10,864	20,434
Financial assets at fair value through profit or loss ("FVTPL")	26	79,716	75,166	82,286	81,313
Restricted bank deposits	27	–	51,009	1,009	1,009
Long-term bank deposits	27	–	250,000	100,000	30,000
Deposits, prepayments and other receivables	25	83,867	247,908	321,401	350,883
Deferred tax assets	31	6,490	4,412	6,839	5,566
		1,114,137	1,749,658	2,014,844	1,976,358
Current assets					
Inventories	22	234,806	259,255	246,760	263,351
Biological assets	23	3,006	2,131	4,525	4,445
Trade receivables	24	1,443,731	1,290,874	1,156,227	1,083,098
Deposits, prepayments and other receivables	25	577,466	619,107	861,806	766,599
Financial assets at FVTPL	26	765,822	414,744	1,039,995	229,954
Loans to associates	38	33,949	29,867	12,608	18,136
Amounts due from associates	38	18,839	–	15	988
Restricted bank deposits	27	176,979	224,386	272,690	267,314
Short-term bank deposits	27	–	200,100	250,000	80,000
Cash and cash equivalents	27	317,248	454,636	564,666	1,897,504
		3,571,846	3,495,100	4,409,292	4,611,389
Total assets		4,685,983	5,244,758	6,424,136	6,587,747
Liabilities					
Non-current liabilities					
Bank borrowings	28	26,000	18,000	17,084	15,676
Other payables	30	30,235	63,219	72,266	76,939
Contract liabilities	5	28,636	34,372	30,853	28,326
Lease liabilities	16	249,112	260,991	518,937	492,764
Deferred tax liabilities	31	22,250	17,927	11,040	8,641
		356,233	394,509	650,180	622,346
Current liabilities					
Trade payables	29	378,835	304,932	345,196	500,553
Accruals and other payables	30	877,344	1,028,085	1,178,063	1,180,171
Contract liabilities	5	11,845	14,124	18,249	16,807
Income tax payables		14,187	14,517	11,674	14,770
Amounts due to associates	38	18,495	17,890	15,882	4,194
Bank borrowings	28	594,785	911,069	1,435,427	1,289,918
Lease liabilities	16	30,986	30,710	52,051	51,371
		1,926,477	2,321,327	3,056,542	3,057,784
Total liabilities		2,282,710	2,715,836	3,706,722	3,680,130
Net assets		2,403,273	2,528,922	2,717,414	2,907,617
Equity					
Equity attributable to the owners of the Company					
Paid in capital/share capital	32	21,901	1,500,000	1,500,000	1,500,000
Reserves	33	2,373,724	954,841	1,140,312	1,337,975
Capital and reserves attributable to owners of the Company		2,395,625	2,454,841	2,640,312	2,837,975
Non-controlling interests		7,648	74,081	77,102	69,642
Total equity		2,403,273	2,528,922	2,717,414	2,907,617

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property, plant and equipment	15	25,784	25,296	28,178	29,149
Right-of-use assets	16	29,111	21,922	23,311	13,644
Intangible assets	18	38,255	74,271	77,930	74,124
Investments in subsidiaries	20	190,759	190,759	221,759	222,759
Investments in associates	20	8,900	8,900	33,400	34,400
Restricted bank deposit	27	–	50,000	–	–
Long-term bank deposits	27	–	250,000	100,000	30,000
Deposits, prepayments and other receivables	25	74,820	169,974	281,629	309,409
Deferred tax assets	31	1,436	1,907	2,301	1,178
		369,065	793,029	768,508	714,663
Current assets					
Inventories	22	9,303	25,433	16,117	23,051
Trade receivables	24	13,692	18,638	27,466	22,801
Deposits, prepayments and other receivables	25	197,301	66,106	88,046	92,617
Amounts due from subsidiaries	39	1,951,409	2,772,774	3,424,443	3,919,633
Financial assets at FVTPL	26	765,822	414,744	1,039,995	229,954
Restricted bank deposits	27	165,970	211,486	258,788	252,282
Short-term bank deposits	27	–	200,100	250,000	80,000
Cash and cash equivalents	27	151,801	261,942	278,367	1,154,141
		3,255,298	3,971,223	5,383,222	5,774,479
Total assets		3,624,363	4,764,252	6,151,730	6,489,142
Liabilities					
Non-current liabilities					
Other payables	30	30,235	63,219	72,266	73,604
Contract liabilities	5	28,636	34,372	30,853	28,326
Lease liabilities	16	23,322	16,223	15,529	9,242
Deferred tax liabilities	31	845	1,107	1,357	374
		83,038	114,921	120,005	111,546
Current liabilities					
Trade payables	29	5,143	7,637	15,387	14,248
Accruals and other payables	30	697,997	862,394	909,867	934,763
Contract liabilities	5	11,310	12,636	17,965	16,807
Amounts due to subsidiaries	39	137,379	992,638	2,338,038	2,911,701
Bank borrowings	28	370,457	618,879	913,878	869,393
Lease liabilities	16	6,668	7,329	9,510	5,074
		1,228,954	2,501,513	4,204,645	4,751,986
Total liabilities		1,311,992	2,616,434	4,324,650	4,863,532
Net assets		2,312,371	2,147,818	1,827,080	1,625,610
Equity					
Equity attributable to the owners of the Company					
Paid-in capital/share capital	32	21,901	1,500,000	1,500,000	1,500,000
Reserves	33	2,290,470	647,818	327,080	125,610
Total equity		2,312,371	2,147,818	1,827,080	1,625,610

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Paid-in capital/share capital	**Reserves**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000 (Note 33)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	21,901	2,095,346	2,117,247	8,410	2,125,657
Profit/(loss) for the year	–	249,453	249,453	(1,156)	248,297
Other comprehensive income	–	28,925	28,925	–	28,925
Total comprehensive income/(loss) for the year	–	278,378	278,378	(1,156)	277,222
Transaction with owners					
Dissolution of a subsidiary (Note 37)	–	–	–	394	394
At 31 December 2019	21,901	2,373,724	2,395,625	7,648	2,403,273
At 1 January 2020	21,901	2,373,724	2,395,625	7,648	2,403,273
Profit/(loss) for the year	–	49,063	49,063	(3,405)	45,658
Other comprehensive income	–	10,153	10,153	–	10,153
Total comprehensive income/(loss) for the year	–	59,216	59,216	(3,405)	55,811
Transactions with owners					
Shares issued upon capitalisation of reserves (Note 32)	1,478,099	(1,478,099)	–	–	–
Change in ownership structure in a subsidiary without change of control (Note 1.1(e))	–	–	–	(173)	(173)
Step acquisition of subsidiaries (Note 36.1(b))	–	–	–	70,011	70,011
At 31 December 2020	1,500,000	954,841	2,454,841	74,081	2,528,922
At 1 January 2021	1,500,000	954,841	2,454,841	74,081	2,528,922
Profit/(loss) for the year	–	234,798	234,798	(8,982)	225,816
Other comprehensive loss	–	(43,553)	(43,553)	–	(43,553)
Total comprehensive income/(loss) for the year	–	191,245	191,245	(8,982)	182,263
Transaction with owners					
Change in ownership structure in a subsidiary without change of control (Note 1(d))	–	(5,774)	(5,774)	3,774	(2,000)
Capital injection by a non-controlling interest	–	–	–	8,229	8,229
At 31 December 2021	1,500,000	1,140,312	2,640,312	77,102	2,717,414

	Attributable to owners of the Company				
	Paid-in capital/share capital	**Reserves**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000 (Note 33)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021 (unaudited)	1,500,000	954,841	2,454,841	74,081	2,528,922
Profit/(loss) for the period	–	141,462	141,462	(5,416)	136,046
Other comprehensive loss	–	(52,083)	(52,083)	–	(52,083)
Total comprehensive income/(loss) for the period	–	89,379	89,379	(5,416)	83,963
Transaction with owners					
Capital injection by a non-controlling interest	–	–	–	6,780	6,780
At 30 June 2021	1,500,000	1,044,220	2,544,220	75,445	2,619,665
At 1 January 2022	1,500,000	1,140,312	2,640,312	77,102	2,717,414
Profit/(loss) for the period	–	198,985	198,985	(8,902)	190,083
Other comprehensive loss	–	(1,322)	(1,322)	–	(1,322)
Total comprehensive income/(loss) for the period	–	197,663	197,663	(8,902)	188,761
Transaction with owners					
Capital injection by a non-controlling interest *(Note 1(h), (i))*	–	–	–	1,442	1,442
At 30 June 2022	1,500,000	1,337,975	2,837,975	69,642	2,907,617

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from operating activities						
Cash generated from operations	34(a)	514,998	325,581	328,420	128,959	536,066
Income tax paid		(24,738)	(27,602)	(42,435)	(10,622)	(20,028)
Net cash generated from operating activities		490,260	297,979	285,985	118,337	516,038
Cash flows from investing activities						
Payment for acquisition of subsidiary, net of cash acquired	36	(240,717)	(11,198)	–	–	–
Payments for property, plant and equipment		(90,678)	(89,097)	(33,892)	(25,352)	(50,437)
Proceeds from disposal of property, plant and equipment	34(b)	10,519	3,581	–	–	–
Payments for intangible assets		(20,012)	(16,871)	(10,069)	(760)	(1,391)
Acquisition of investment property		(2,753)	–	–	–	–
Prepayments for right-of-use assets	25	–	(51,600)	–	–	–
Acquisition of financial assets at FVOCI	21	(30,457)	(8,243)	(3,002)	(1,905)	(10,581)
Proceeds from disposal of financial assets at FVOCI	21	63,967	–	–	–	189
Acquisition of financial assets at FVTPL	26	(12,246,320)	(6,181,410)	(7,507,295)	(3,150,000)	(2,299,806)
Proceeds from redemption of financial assets at FVTPL	26	12,686,212	6,547,591	6,884,172	2,828,531	3,118,296
Acquisition of associates and joint venture	20	(54,444)	(70,383)	(55,647)	(44,184)	(2,961)
Proceeds from disposal of associates and joint venture		–	966	6,320	–	–
Decrease of interest-free loans to franchisees		12,766	13,990	–	–	–
Placement of bank deposits		(50,000)	(550,100)	(149,900)	(80,000)	(80,000)
Redemption of bank deposits		50,000	50,000	250,000	230,100	320,000
Advance to associates		(50,100)	(38,452)	(24,848)	(20,687)	(18,599)
Repayment from associates		11,194	42,534	42,107	38,539	13,071
Advance of loan receivables		(435,220)	(514,032)	(616,556)	(314,963)	(210,256)
Repayment of loan receivables		135,531	451,254	585,875	269,455	230,869
Interest income arising from loan receivables		20,739	31,535	21,120	11,211	11,107
Interest received from bank deposits		3,031	12,192	24,091	5,137	15,423
Dividend received from a joint venture	20(f)	–	–	9,626	5,914	–
Net cash (used in)/from investing activities		(226,742)	(377,743)	(577,898)	(248,964)	1,034,924

		Year ended 31 December			Six months ended 30 June	
	Note	2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Cash flows from financing activities						
Payments for acquisition of ownership interests in subsidiaries without change in control	1(d)&(e)	–	(173)	(2,000)	–	–
Proceeds from bank borrowings	28	594,000	1,104,000	1,915,000	1,111,200	613,400
Repayments of bank borrowings	28	(552,000)	(796,500)	(1,392,000)	(785,400)	(760,400)
Principal elements of lease payments	34(c)	(26,395)	(35,994)	(45,859)	(20,081)	(25,210)
Interest elements of lease payments	34(c)	(15,613)	(16,043)	(30,242)	(13,107)	(16,438)
Interest paid		(29,071)	(35,238)	(47,506)	(20,674)	(26,978)
Placement of bank deposits		(45,873)	(12,900)	(13,902)	(13,902)	(13,900)
Redemption of bank deposits		10,000	10,000	12,900	12,900	13,902
Payment of [**REDACTED**] expenses		–	–	(2,677)	(1,206)	(3,942)
Capital injection by non-controlling interest		–	–	8,229	6,780	1,442
Net cash (used in)/generated from financing activities		(64,952)	217,152	401,943	276,510	(218,124)
Net increase in cash and cash equivalents		198,566	137,388	110,030	145,883	1,332,838
Cash and cash equivalents at beginning of the year/period		118,682	317,248	454,636	454,636	564,666
Cash and cash equivalents at end of the year/period	27	317,248	454,636	564,666	600,519	1,897,504

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 General information

The Company was incorporated in the People's Republic of China (the "PRC") on 3 December 2001 as a limited liability company under Company Law of the PRC. The address of the Company's registered office is B1101-1103, B1105-1113, B1115-1122, B1201-1203, B1205-1213, B1215-1217, Tower B, Jiansheng Building, No. 1 Pingji Road, Xialilang Community, Nanwan Street, Longgang District, Shenzhen, Guangdong Province, China.

In preparation for [**REDACTED**] in Hong Kong, on 10 April 2020, the Company was converted into a joint stock company with limited liability with registered capital of RMB1,500,000,000.

The Company and its subsidiaries (together, the "Group") are principally engaged in operating of a franchised retail network and trading of fruits (the "[**REDACTED**] Business"). The ultimate controlling party of the Group is Mr. Yu Huiyong ("Mr. Yu").

1.1 Group structure

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report		
			2019	2020	2021	2022			
		(RMB)							
Directly held:									
Pagoda Fruit Investment Management (Shenzhen) Service Co., Ltd. ("Pagoda Supply Chain") (深圳市百果園供應鏈管理服務有限公司)	Incorporated on 18 June 2014 in the PRC	RMB5,000,000	100%	100%	100%	100%	100%	**Provision of supply chain management service in the PRC**	(a), (b)
Shenzhen Pagoda Airport Sales Co., Ltd. ("Pagoda Airport") (深圳市百果園空港銷售有限公司)	Incorporated on 10 October 2014 in the PRC	RMB1,000,000	100%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Baiguo Technology (Shenzhen) Co., Ltd. ("Baiguo Technology") (深圳市百果互動科技有限公司)	Incorporated on 18 November 2014 in the PRC	RMB60,882,353	100%	100%	100%	100%	100%	**Development of information technology in the PRC**	(a), (b)
Shenzhen Pagoda Investment Development Co., Ltd. ("Pagoda Investment") (深圳市百果園投資發展有限公司)	Incorporated on 26 June 2015 in the PRC	RMB50,000,000	100%	100%	100%	100%	100%	**Investment holding in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group 31 December 2019	2020	2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Guangdong Pagoda Agricultural Products Preliminary Processing Co., Ltd. ("Pagoda Preliminary Processing") (廣東百果園農產品初加工有限公司)	Incorporated on 11 August 2015 in the PRC	RMB50,000,000	100%	100%	100%	100%	100%	**Sales and processing of fruits in the PRC**	(a), (b)
Shenzhen Pagoda Changfeng Sales Co., Ltd. ("Pagoda Changfeng") (深圳市百果常豐銷售有限公司)	Incorporated on 18 December 2015 in the PRC	RMB500,000	100%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Shenzhen Xianguo Bake Food And Beverage Management Co., Ltd. ("Shenzhen Xianguo Bake") (深圳鮮果吧客餐飲管理有限公司)	Incorporated on 16 May 2016 in the PRC	–	0%	0%	0%	0%	0%	**Sales of fruits juice in the PRC**	(a), (b), (c)
Jiangxi Wangpin Agricultural Technology Development Co., Ltd. ("Jiangxi Wangpin") (江西王品農業科技開發有限公司)	Incorporated on 13 May 2003 in the PRC	RMB24,300,000	94%	94%	100%	100%	100%	**Planting and sales of fruits in the PRC**	(a), (b), (d)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group						Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report			
			2019	2020	2021	2022				
		(RMB)								
Beijing Xianmeiyi Commerce Co., Ltd. ("Beijing Xianmeiyi") (北京鮮美溢商貿有限公司)	Incorporated on 30 September 2017 in the PRC	RMB1,000,000	100%	100%	100%	100%	100%		**Sales of fruits in the PRC**	(a), (b)
Beijing Pagoda Changxian Commerce Co., Ltd. ("Pagoda Changxian") (北京百果常鮮商貿有限公司)	Incorporated on 11 October 2017 in the PRC	RMB300,000	100%	100%	100%	100%	100%		**Sales of fruits in the PRC**	(a), (b)
Beijing Pagoda Wangxi Sales Co., Ltd. ("Pagoda Wangxi") (北京百果旺西銷售有限責任公司)	Incorporated on 12 October 2019 in the PRC	RMB1,000,000	100%	100%	100%	100%	100%		**Sales of fruits in the PRC**	(a), (b)
Beijing Pagoda Bajie Sales Co., Ltd. ("Pagoda Bajie") (北京百果八街銷售有限責任公司)	Incorporated on 15 July 2020 in the PRC	RMB1,000,000	0%	100%	100%	100%	100%		**Sales of fruits in the PRC**	(a), (b)
Hangzhou Rongxi Trading Co., Ltd ("Hangzhou Rongxi") (杭州茸希貿易有限公司)	Incorporated on 19 March 2021 in the PRC	RMB1,000,000	0%	0%	100%	100%	100%		**Sales of fruits in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group 31 December 2019	2020	2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Shenzhen Pagoda Home Food Sales Co., Ltd. ("Pagoda Home") (深圳百果之家食品銷售有限公司)	Incorporated on 22 November 2021 in the PRC	RMB500,000	0%	0%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Shenzhen Baiguo Digital Industrial Park Co., Ltd ("Baiguo Digital Industrial") (深圳百果數字產業園有限公司)	Incorporated on 12 March 2020 in the PRC	RMB30,000,000	0%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Indirectly held:									
Beijing Aoxiang Technology Co., Ltd. ("Beijing Aoxiang") (北京奧想科技有限公司)	Incorporated on 20 August 2013 in the PRC	RMB7,000,000	100%	100%	100%	100%	100%	**Provision of information technology service in the PRC**	(a), (b)
Yuanmou Yuanshengyuan Agricultural Technology Co., Ltd. ("Yuanmou Yuanshengyuan") (元謀原生源農業科技有限責任公司)	Incorporated on 26 June 2014 in the PRC	RMB27,000,000	51%	51%	51%	51%	51%	**Planting of fruits in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group: 31 December 2019	31 December 2020	31 December 2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Hainan Wangpin Agricultural Technology Development Co., Ltd. ("Hainan Wangpin") (海南王品農業科技開發有限公司)	Incorporated on 5 September 2014 in the PRC	RMB10,000,000	100%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Hainan Wangpin Guoye Development Co., Ltd. ("Hainan Guoye") (海南王品果業開發有限公司)	Incorporated on 2 May 2017 in the PRC	RMB7,000,000	100%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Hainan Pagoda Supply Chain Management Service Co., Ltd. ("Hainan Supply Chain") (海南省百果園供應鏈管理服務有限公司)	Incorporated on 18 September 2020 in the PRC	RMB5,000,000	0%	100%	100%	100%	100%	**Provision of supply chain management service in the PRC**	(a), (b)
Shenzhen Yitong Commerce Factoring Co., Ltd. ("Shenzhen Yitong") (深圳億通商業保理有限公司)	Incorporated on 26 June 2018 in the PRC	RMB50,000,000	100%	100%	100%	100%	100%	**Provision of supply chain financing in the PRC**	(a), (b)
Shenzhen Henglichuang Technology Co., Ltd. ("Shenzhen Henglichuang") (深圳市恒利創科技有限公司)	Incorporated on 4 July 2018 in the PRC	RMB11,000,000	100%	100%	100%	100%	100%	**Provision of information technology service in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report		
			2019	2020	2021	2022			
		(RMB)							
Shenzhen Yimiaotong Network Technology Co., Ltd. ("Shenzhen Yimiaotong") (深圳易秒通網路科技有限公司)	Incorporated on 20 May 2015 in the PRC	RMB7,162,245	100%	100%	100%	100%	100%	**Provision of information technology service in the PRC**	(a), (b)
Haiyang Chiang Mai Thai Agri-products Co., Ltd. ("Haiyang Jinchengtai") (海陽津成泰農產品發展有限公司)	Incorporated on 23 April 1999 in the PRC	RMB41,402,695	100%	100%	100%	100%	100%	**Sales and processing of fruits in the PRC**	(a), (b), (f)
Shenzhen Pagoda Brand Management Co., Ltd. ("Pagoda Brand") (深圳百果品牌管理有限責任公司)	Incorporated on 18 January 2019 in the PRC	RMB1,000,000	100%	100%	100%	100%	100%	**Provision of brand management service in the PRC**	(a), (b)
Shenzhen Pagoda Xinxiang Technology Development Co., Ltd. ("Pagoda Xinxiang") (深圳市百果心享科技發展有限責任公司)	Incorporated on 24 April 2019 in the PRC	RMB50,000,000	100%	100%	100%	100%	100%	**Sales of fresh products in the PRC**	(a), (b)
Shenzhen Pagoda Shulian Technology Co., Ltd. ("Pagoda Shulian") (深圳市百果數聯科技有限公司)	Incorporated on 4 November 2019 in the PRC	RMB10,000,000	100%	100%	100%	100%	100%	**Sales of information technology application in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report		
			2019	2020	2021	2022			
		(RMB)							
Shenzhen Pagoda Commerce Development Co., Ltd. ("Pagoda Commerce") (深圳百果商業發展有限公司)	Incorporated on 10 December 2019 in the PRC	RMB10,000,000	100%	100%	100%	100%	100%	**Provision of property management service in the PRC**	(a), (b)
Shenzhen Youxian Interactive Technology Co., Ltd. ("Shenzhen Youxian") (深圳市優鮮互聯科技有限公司)	Incorporated on 10 January 2020 in the PRC	RMB10,000,000	0%	65%	65%	65%	65%	**Provision of information technology service in the PRC**	(a), (b), (h)
Pagoda (Shanghai) Information Technology Co., Ltd. ("Pagoda Information") (百果園(上海)信息科技有限公司)	Incorporated on 21 January 2020 in the PRC	RMB10,000,000	0%	100%	100%	100%	100%	**Provision of information technology service in the PRC**	(a), (b)
Ruian Gangnan Food Co., Ltd. ("Ruian Gangnan") (瑞安市港楠食品有限公司)	Incorporated on 29 April 2020 in the PRC	RMB500,000	0%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group: 31 December 2019	31 December 2020	31 December 2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Shanghai Pagoda Industrial Co., Ltd ("Shanghai Pagoda") (上海百果園實業有限公司)	Incorporated on 13 March 2020 in the PRC	RMB1,000,000	0%	100%	100%	100%	100%	**Sales and processing of fruits in the PRC**	(a), (b)
Youguolian Brand Management Co., Ltd ("Youguolian Brand") (優果聯品牌管理有限公司)	Incorporated on 9 March 2017 in the PRC	RMB80,000,000	30%	56%	56%	56%	56%	**Investment holding in the PRC**	(a), (b), (g)
Younongdao (Beijing) Technology Co., Ltd. (優農道(北京)科技有限公司)	Incorporated on 23 April 2018 in the PRC	RMB5,000,000	46%	58%	68%	68%	68%	**Investment in agriculture related business in the PRC**	(a), (b), (g)
Shenzhen Pagoda Seeds Co., Ltd ("Pagoda Seeds") (深圳市百果種業有限公司)	Incorporated on 22 July 2020 in the PRC	RMB7,000,000	79%	86%	86%	86%	86%	**Sales of fruits in the PRC**	(a), (b), (e), (i)
Pagoda Ecological Investment (Yunnan) Co., Ltd ("Pagoda Ecological Investment") (百果生態投資(雲南)有限公司)	Incorporated on 16 October 2020 in the PRC	RMB20,000,000	0%	100%	100%	100%	100%	**Provision of business service in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report		
			2019	2020	2021	2022			
		(RMB)							
Shenzhen Baihui Life Technology Co., Ltd. ("Baihui Life") (深圳市百慧生活科技有限公司)	Incorporated on 16 November 2020 in the PRC	RMB1,000,000	0%	100%	100%	100%	100%	**Provision of information technology service in the PRC**	(a), (b)
Guangdong Pagoda Fruit Products Co., Ltd ("Pagoda Fruit Products") (廣東百果園果製品有限公司)	Incorporated on 28 December 2020 in the PRC	RMB10,000,000	0%	100%	100%	100%	100%	**Sales and processing of fruits in the PRC**	(a), (b)
Shenzhen Jinnong Supply Chain Management Co., Ltd. ("Jinnong Supply Chain") (深圳市金農供應鏈管理有限公司)	Incorporated on 12 May 2021 in the PRC	RMB5,000,000	0%	0%	75%	75%	75%	**Sales of fruits in the PRC**	(a), (b)
Shenzhen Baixin Investment Development Co., Ltd. ("Baixin Investment") (深圳百芯投資發展有限公司)	Incorporated on 10 September 2021 in the PRC	RMB7,000,000	0%	0%	100%	100%	100%	**Investment holding in the PRC**	(a), (b)
Changzhou Tianjing Food Sales Co., Ltd. ("Changzhou Tianjing") (常州市天競食品銷售有限公司)	Incorporated on 16 September 2020 in the PRC	RMB500,000	0%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group: 31 December 2019	31 December 2020	31 December 2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Changzhou Baqianli Food Sales Co., Ltd. ("Changzhou Baqianli") (常州市八千里食品銷售有限公司)	Incorporated on 22 September 2020 in the PRC	RMB500,000	0%	100%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Xi'An Yuxing Fruits Sales Limited ("Xi'An Yuxing") (西安鈺星水果銷售有限公司)	Incorporated on 27 July 2021 in the PRC	RMB500,000	0%	0%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Wenzhou Jiawang Fruits Co., Ltd. ("Wenzhou Jiawang") (溫州市佳旺水果有限公司)	Incorporated on 23 April 2021 in the PRC	RMB1,000,000	0%	0%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)
Xinjiang Guoyou Xinjiang Agricultural Technology Development Co., Ltd. ("Xinjiang Guoyou") (新疆果優興疆農業科技發展有限責任公司)	Incorporated on 22 November 2021 in the PRC	RMB4,000,000	0%	0%	100%	100%	100%	**Provision of agricultural technology service in the PRC**	(a), (b)
Xi'An Pagoda Co., Ltd. ("Xi'An Pagoda") (西安百百果水果有限公司)	Incorporated on 28 July 2021 in the PRC	RMB500,000	0%	0%	100%	100%	100%	**Sales of fruits in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group					Principal activities/place of operation	Notes
			31 December			30 June	As at the date of this report		
			2019	2020	2021	2022			
		(RMB)							
Pagoda (Shanghai) Biotechnology Co., Ltd. ("Shanghai Biotechnology") (百果園(上海)生物科技有限公司)	Incorporated on 4 June 2021 in the PRC	RMB10,000,000	0%	0%	51%	51%	51%	**Provision of information technology service in the PRC**	(a), (b)
Yuanmou Yiguo Agricultural Technology Co., Ltd. ("Yuanmou Yiguo") (元謀憶果農業科技有限責任公司)	Incorporated on 19 January 2021 in the PRC	RMB3,000,000	0%	0%	54%	54%	54%	**Planting and sales of fruits in the PRC**	(a), (b)
Shenzhen Sangeling Hongshan Enterprise Management Center Partnership (Limited Partnership) ("Hongshan") (深圳三個零弘善企業管理中心(有限合夥))	Incorporated on 25 January 2022 in the PRC	RMB8,000,000	0%	0%	0%	99.5%	99.5%	**Provision of enterprise management service in the PRC**	(a), (b)
Shenzhen Sangeling Gongchuang Enterprise Management Center Partnership (Limited Partnership) ("Gongchuang") (深圳三個零共創企業管理中心(有限合夥))	Incorporated on 25 January 2022 in the PRC	RMB8,000,000	0%	0%	0%	99.5%	99.5%	**Provision of enterprise management service in the PRC**	(a), (b)

Company name	Country/ place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group 31 December 2019	2020	2021	30 June 2022	As at the date of this report	Principal activities/place of operation	Notes
		(RMB)							
Shenzhen Sangeling Agricultural Technology Development Co., Ltd. ("Sangeling Agricultural") (深圳三個零農業科技發展有限公司)	Incorporated on 18 February 2022 in the PRC	RMB40,000,000	0%	0%	0%	60%	60%	**Planting and sales of fruits in the PRC**	(a), (b)

Notes:

(a) No audited statutory financial statements have been prepared for these subsidiaries as there is no statutory requirement to issue statutory financial statements under their respective places of incorporation.

(b) The English names of PRC companies refer to above in this note represents management's best efforts in translating the Chinese names of those companies as no English name have been registered or available.

(c) Shenzhen Xianguo Bake was dissolved on 3 April 2019.

(d) On 24 December 2021, the Group acquired the remaining 6% equity interest in Jiangxi Wangpin at a consideration of RMB2,000,000. Jiangxi Wangpin is mainly engaged in planting and sales of fruits in the PRC. Upon completion of the transaction, Jiangxi Wangpin becomes a wholly-owned subsidiary of the Group. A deficit balance of non-controlling interest amounting to RMB3,774,000 was derecognised.

(e) Upon the Group's step acquisition of Youguolian Brand and Younongdao Beijing on 10 December 2020, the Group acquired 7% equity interest in Pagoda Seeds held by Youguolian Brand. Non-controlling interest amounting to RMB173,000 was derecognised.

(f) On 4 April 2019, the Group completed the acquisition of 100% equity interest of Haiyang Jinchengtai at a consideration of approximately RMB250,000,000. Haiyang Jinchengtai is principally engaged in fruit trading in the PRC. The Group has control over Haiyang Jinchengtai and classified investment in Haiyang Jinchengtai as a subsidiary with its results being consolidated.

(g) On 10 December 2020, Pagoda Investment entered into a shareholder's agreement with the other shareholders of Youguolian Brand whereby Pagoda Investment will inject additional capital of RMB60 million into Youguolian Brand (the "Capital Injection"). RMB30 million is injected to share capital and RMB30 million is injected to capital reserve. Subsequent to the completion of this capital injection, the Group (through Pagoda Investment) has effective interest of 56% in Youguolian Brand and therefore obtained control over direction of relevant activities of Youguolian Brand by obtaining the majority of board seats. As such, Youguolian Brand is accounted as a subsidiary with its results being consolidated from 10 December 2020 onwards.

As Youguolian Brand holds 22% interest in Younongdao Beijing, the Group also increased its effective interest in Younongdao Beijing from 46% to 68%, 46% of which is held through Pagoda Investment and 22% is held through Youguolian Brand, upon the completion of the Capital Injection. As such, the Group also obtained control over Younongdao Beijing and Younongdao Beijing is also accounted for as a subsidiary with its results being consolidated from 10 December 2020 onwards.

Please refer to Note 20(b), (c)(ii) and (c)(v) for details.

(h) On 9 February 2022, the Group and the non-controlling interest have both further injected RMB942,000 into Shenzhen Youxian. Shenzhen Youxian is mainly engaged in provision of information technology service in the PRC. Upon completion of the transaction, there is no change in respective attributable equity interest.

(i) On 2 January 2022, the Group and the non-controlling interest have both further injected RMB500,000 into Pagoda Seeds. Pagoda Seeds is mainly engaged in sales of fruits in the PRC. Upon completion of the transaction, there is no change in respective attributable equity interest.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The Historical Financial Information has been prepared under the historical cost basis, except for the following:

- certain financial assets and investment property – measured at fair value; and
- certain biological assets – measured at fair value less costs to sell.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

(a) New standard, amendments to standards, accounting guideline and annual improvement that have been issued but are not effective for the Track Record Period and have not been early adopted

The following are new standards, amendments to standards, accounting guidance and annual improvement that have been issued, but are not effective for the Track Record Period, and have not been early adopted. The Group plans to adopt these new standards, amendments to standards, accounting guidance and annual improvement when they become effective:

		Effective for accounting year beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

According to the assessment made by the board of directors, these new standards, amendments to standards and annual improvement are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

2.2 Principles of consolidation and equity accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Interests in associates are accounted for using the equity method of accounting (see (d) below), after initially being recognised at cost.

(c) Joint ventures

Interests in joint ventures are accounted for using the equity method (see (d) below), after initially being recognised at cost in the consolidated balance sheet.

(d) Equity accounting

Under the equity method of accounting, the investments in associates and joint venture are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment in associates and joint venture equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(e) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries and associates are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries and associates is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company, who make strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional and presentation currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated at foreign currencies at year-end exchange rates are generally recognised in the consolidated statements of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity investments held at FVTPL are recognised in the consolidated statements of profit or loss as part of the fair value gains or losses.

2.7 Property, plants and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Building	20 years
Leasehold improvements	Shorter of lease term or 5 – 10 years
Plant and machinery	5 – 20 years
Furniture and equipment	3 – 5 years
Motor vehicles	4 years
Mature fruit trees	10 – 20 years

The Group's fruit trees qualify as bearer plants under the definition in HKAS 41 "Agriculture" and are therefore accounted for under the principles for plant and equipment. Fruit trees are classified as immature until the produce can be commercially harvested which usually takes 2 to 4 years. At that point they are reclassified to mature fruit trees and depreciation commences. Immature fruit trees are measured at accumulated cost less impairment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated statements of profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of land use rights during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 Investment property

Investment properties are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in profit or loss as part of other gains, net.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.4. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating subsidiaries.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(c) Software

Costs associated with research activities are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable assets controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(d) Customer relationship

The customer relationship were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised by straight-line method over their estimated useful lives.

(e) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Trademarks	10 years
Software	3-10 years
Customer relationship	6 years

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group and the Company has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group and the Company considers this classification to be more relevant.

Financial assets at FVTPL comprise debt investments that do not qualify for measurement at either amortised cost above or FVOCI.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statements of profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in "other gains, net" together with foreign exchange gains and losses.

Financial asset at FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method.

Financial asset at FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the de-recognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains, net in the consolidated statements of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 3.1(b) and Note 24 for further details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group entities or the counterparty.

2.13 Biological assets

Biological assets comprise fresh fruits before harvested in farms and are classified as current assets due to short harvesting period.

Biological assets are measured at fair value less cost to sell, see Note 3.3 for further information on determining the fair value.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

The fruit trees are bearer plants and are therefore presented and accounted for as property, plant and equipment (Note 2.7). However, the fresh fruit bunches growing on the trees is accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches are transferred to inventory at fair value less costs to sell when harvested.

Changes in fair value of fresh fruit bunches on trees are recognised in the consolidated statements of profit or loss.

Farming costs such as fertilisers, pesticides and labour costs are capitalised in biological assets.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.16 Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.17 Share capital

Paid-in capital/ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statements of financial position in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

The Group considers the lease as a single transaction in which the transaction give rise to equal taxable and deductible temporary differences at inception. The initial recognition exemption from recognising a deferred tax asset and liability does not apply. It is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Group recognises a deferred tax asset and a deferred tax liability respectively for the deductible and taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in the consolidated statements of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the provincial governments.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses where they are contractually obliged or where there was a past practice that has created a constructive obligation.

2.23 Share-based payments

Share-based compensations benefits are provided to employees via the Employee Option Plan and an employee share scheme, the executive short-term incentive scheme and share appreciation. Further information is set out in Note 33(a). Capital awarded by the Company to employees were vested immediately on grant date. On this date, the market value of the capital award was recognised as an employee benefits expense was a corresponding increase in equity.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Revenue recognition

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services.

Management performs assessment at contract inception to identify performance obligations for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

Control of the goods or service is transferred over time if the Group's performance:

- Provides all of the benefits received and consumed simultaneously by the customer;
- Creates or enhances an asset that the customer controls as the Group performs; or
- Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or service transfers over time, revenue is recognised over the period by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

(a) Operation of franchised and self-owned retail network

The Group is specialised in fresh fruit and other food products retailing business through both franchised retail network, with close collaboration with franchisees and regional dealers, and its self-owned retail stores. Regional dealers obtain an exclusive license from the Group to develop the Group's franchise business in a designated region by referring franchisees to the Group and offer support to the franchisees. Franchisees would operate their own retail stores for selling the fruit and other food products.

The Group also operates several self-owned retails stores.

The Group generates revenue by selling fruits and other food products to regional dealers and franchisees and regional dealers obtain an exclusive license from the Group to develop the Group's franchise business in a designated region by referring franchisees to the Group and offer support to the franchisees, which detail is set out below:

(i) Royalty and franchising income

Franchisees

The Group enters into franchise agreements with all franchisees, including those referred by regional dealers. Franchise agreements entitle the franchisees to access the brand of the Group and associated intellectual property (the "franchise right"). Under the franchise agreements, franchisees pays an non-refundable initial fee upon entering into franchise agreements, and monthly royalty and other service fees. The initial term of franchise agreements is typically 5 years. Subject to mutual agreement, a franchisee may renew the franchise agreement upon its expiration with no initial fees.

The royalty fee represents the majority of the monthly fee and is determined based on a predetermined progressive rate as a percentage of the applicable franchisee's stores gross profits. Royalties and other fees are generally invoiced and settled on a monthly basis. Under the current settlement arrangements with franchisees, the Group collect all the store sales proceeds on behalf of the franchisees and settles at the end of each calendar month, after deducting the loan repayment and purchase amounts from franchisees. The Group applies "sales-based royalty" under HKFRS 15 to recognise the royalty fees when the sales to end customers occurred.

The Group's franchise agreements also include certain initial franchise fees. Initial franchise fees are charged for pre-opening support services provided to the franchisees, including market and location analysis, certain advisory services like license application, general management training and pre-opening marketing, etc. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provide to the franchisees. As a result, initial franchise fees are recognised on a straight-line basis over the expected franchise period, aligns with the franchisee's access to the franchise rights.

A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Unrecognised initial franchise fees are recognised as contract liabilities in the consolidated statements of financial position.

Starting from 2019, the Group provides upfront subsidies to certain franchisees for their pre-opening capital expenditure including decoration and purchasing equipment in return for a higher monthly royalty rate. These subsidies do not represent distinct goods or services provided to the franchisees and are accounted for as a reduction of the royalty income on a straight-line basis over the expected franchise period. The unrecognised portion are recognised as other prepayment in the consolidated statements of financial position.

Regional dealers

Upon entering into regional dealers contracts, regional dealers have to pay a non-refundable initial fee. The initial term of regional dealer contracts are typically 10 years. Subject to mutual contracts, a regional dealer may renew the regional dealer contracts upon its expiration. Initial fees are recognised on a straight-line basis over the expected contract period, aligns with the regional dealers' access to the franchise rights. Unrecognised initial fees are recognised as contract liabilities in the consolidated statements of financial position.

For every successful referral of franchisee by regional dealers, part of the initial fee and the subsequent royalty fee from franchisees are paid to regional dealers as commission. The commission paid to regional dealers is not a distinct performance obligation by the regional dealers and hence regarded as consideration payable to customers and offsetting with the royalty and franchising income.

(ii) Sales of fruit and other food products — Franchised stores and regional dealers

The Group sells fruits and other food products to regional dealers and franchisees. The regional dealers would further sell the fruit and other food products to the franchisees in specific region.

Revenue are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products. The Group is responsible for delivering products to franchised stores. Revenue is recognised upon delivery of products to the franchised stores and the related transportation cost is recognised in cost of sales. On the other hand, the Group arranges with regional dealers for pick-up of the goods at the Group's warehouses and therefore revenue is recognised upon picking up by regional dealers. No transportation cost is incurred.

When the legal title of goods is transferred to regional dealers and franchisees, regional dealers and franchisees are regarded as the principal as they are exposed to the inventory risk before the goods are transferred to franchisees or sold to end customers, respectively. Due to the nature of fruits, when the goods are accepted by the regional dealers and franchisees, they cannot be returned to the Group, except for the defective or wrong products that are identified. Only immaterial return is noted during Track Record Period.

It is the Group's policy for the franchisees to sell their products to the end customers with right of return, while part of the cost is borne by the Group. The fees payable by the Group are regarded as the variable consideration and a refund liability is recognised for the expected amount of costs that will be borne by the Group. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price. The validity of this assumption and the estimated amount of rebates are reassessed at each reporting date.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) Sales of fruit and other food products — Self-operating stores

The Group operates several retail stores selling fruits and other food products. Revenue from the sale of goods is recognised when the control of the product is transferred to the customer. Payment of the transaction price is due immediately when the customer purchases the fruits and other food products and takes delivery in store.

(iv) Membership program

The Group established membership program on behalf of the franchisees offering discount for purchasing of fruit and other food products to the end customers of the retail stores. Members joining the membership program can enjoy the additional discount rates and promotional coupons for purchasing of fruit and other food products in the retail stores. The Group would not reimburse its franchisees for those additional discount and promotion coupons incurred in the promotional activities. These activities are borne at franchisees' own costs.

The Group initiates Xinxiang VIP paid membership plan since late 2018. End customers of franchisees may subscribe for the VIP membership for a 12-month period at a fixed fee payable to the Group. The VIP members will enjoy discount from the purchases at franchised stores equivalent to at least the membership fee paid. Otherwise, the Group will refund to the end customers for any shortfall. Revenue is recognised in the same period when the obligations to refund to the end customers is expired at the end of the 12th month, without considering the breakage. Any unexpired fee is recognised as financial liabilities in the consolidated statements of financial position.

(v) Provision of services

The Group provides other services including system maintenance and support services to franchisees. Revenue are recognised when (or as) these services are performed in the accounting period in which the services are rendered.

(b) Sales of fruits and other food products — trading of fruits

The Group trades fruit products under short term contracts to overseas and local corporate customers, including food retail companies, supermarkets and fruit markets. Revenue is recognised when control of the products is transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. It is the Group policy to sell its products to the end customers with a right of returns within 2 days for defective or wrong products delivered.

(c) Others

The Group occasionally holds local sales to individuals of fruit items other than those offered to franchisees and regional dealers. Revenue are recognised when control of the products has transferred, being when the products are delivered to the customers, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(d) Financing components

Except the initial franchisee fee payment by the franchisee and regional dealers exceeds one year, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. The Group determines that the payment terms for initial franchisee fee payment were structured primarily for reasons other than the provision of finance to the Group. As a consequence, no significant element of financing is present and the Group does not adjust any of the transaction prices for the time value of money.

2.26 Interest income

Interest income from financial assets at FVTPL is included in the fair value gains on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.27 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statements of profit or loss on a straight line basis over the expected lives of the related assets.

2.28 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.29 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates in the PRC and most of their transactions are denominated in RMB. The Group is exposed to foreign exchange risk primarily through certain sales and purchases transactions that are denominated in United States dollar ("US$"). The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time.

If US$ had strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 would have been RMB889,000, RMB955,000 and RMB3,234,000, RMB1,968,000 and RMB936,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of US$ denominated net financial assets.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk mainly arises from cash and cash equivalents and restricted bank deposits at variable interest rate which are subject to cash flow interest rate risk. If the interest rate of cash and cash equivalents and restricted bank deposits had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 would have been approximately RMB2,471,000, RMB3,650,000 and RMB2,992,000, RMB1,776,000 and RMB4,529,000 higher/lower, respectively.

The Group's interest rate risk also arises from bank borrowing at variable interest rate. If the interest rate of bank borrowing had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 would have been approximately RMB3,104,000, RMB4,645,000 and RMB7,263,000, RMB6,268,000 and RMB6,528,000 lower/higher, respectively.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group is exposed to fair value interest rate risk in relation to fixed rate loan receivables. Management considers the fair value interest rate risk exposure is insignificant to the Group during the Track Record Period.

(iii) Price risk

The Group's exposure to price risk arises from biological assets, investments in structured deposits, compound financial instruments and equity securities held by the Group and classified in the consolidated statements of financial position as at FVTPL and FVOCI.

To manage its price risk arising from biological assets and investments, the Group diversifies its portfolio. Each biological asset and investment is managed by management on a case by case basis. Management considers the price risk exposure for biological assets is insignificant to the Group. For the investments, the sensitivity analysis is performed by management, see Note 3.3 for details.

(b) Credit risk

Credit risk is managed at company basis. Credit risk primarily arises from trade receivables, deposits and other receivables, amounts due from associates, loans to associates and cash and bank balances included in the consolidated statements of financial position which represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk management

To manage risk arising from cash and bank balances, the Group only transacts with state-owned or reputable financial institutions in the PRC. The management believes that there is no significant credit risk as these commercial banks have a high reputation and their credit rating ranges from AA- to AAA.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 90 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from them is not significant.

For deposits and other receivables, amounts due from associates and loans to associates, management makes periodic assessment on the recoverability based on historical settlement records and past experiences. In view of the history of cooperation with debtors and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding balances due from them is not significant.

(ii) Impairment of financial assets

Trade receivables

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

The Group considers the credit risk characteristics and the invoice date ageing of the trade receivables to measure the ECL. The Group has assessed the ECL by considering historical default rates, existing market conditions and forward-looking information. For details, please refer to Note 24.

There are no significant concentrations of credit risk which arise from trade receivables from its customers. The management does not expect significant losses from non-performance by these counterparties based on historical settlement pattern. The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. The Group categorises a receivable for write-off when a debtor fails to make contractual payments more than one year past due. Subsequent recoveries of amounts previously written off are credited against the same line item.

Deposits and other receivables, amounts due from associates and loans to associates

Deposits and other receivables include interest-bearing loans and interest-free loans to franchisees, factoring amounts to regional dealers, factoring amounts to suppliers and interest-bearing loans to third parties, rental and other deposits, proceeds receivable from prepaid cards sold, and other receivables.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrow and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

The Group uses below categories for deposits and other receivables, amounts due from associates and loans to associates which reflect their credit risk and how the loss provision is determined for each of those categories. A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	**Company definition of category**	**Basis for recognition of ECL provision**
Performing	Loans whose credit risk is in line with original expectations.	12-month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1).
Underperforming	Loans for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail).	Lifetime expected losses (stage 2).
Non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy.	Lifetime expected losses (stage 3).

Category	Company definition of category	Basis for recognition of ECL provision
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on central credit rating unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019, 2020 and 2021 and 30 June 2022. The amounts presented are gross carrying amounts for financial assets:

	Gross carrying amount at default (stage 1)	Gross carrying amount at default (stage 2)	Gross carrying amount at default (stage 3)
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Deposits and other receivables	382,502	–	6,000
Amount due from associates	18,839	–	–
Loans to associates	33,949	–	–
	435,290	–	6,000
As at 31 December 2020			
Deposits and other receivables	449,645	–	–
Loans to associates	29,867	–	–
	479,512	–	–
As at 31 December 2021			
Deposits and other receivables	481,351	–	–
Amount due from associates	15	–	–
Loans to associates	12,608	–	–
	493,974	–	–
As at 30 June 2022			
Deposits and other receivables	428,180	–	–
Amount due from associates	988	–	–
Loans to associates	18,136	–	–
	447,304	–	–

Except for other receivables of RMB6,000,000 that was identified by management as credit impaired during the year ended 31 December 2019 and was reclassified from stage 1 to stage 3, there were no transfer between stage 1, 2 and 3 for deposits and other receivables, amounts due from associates and loans to associates during the Track Record Period.

Over the term of the receivables, the Group accounts for its credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of associates, franchisees, regional dealers and suppliers, and adjusts for forward-looking macroeconomic data.

The Group assesses on a forward looking basis the expected credit losses associated with its deposits and other receivables, amounts due from associates and loans to associates. The balances are carried at amortised cost and adopted three-stages approach to assess the impairment. Those parties have a low risk of default and a capacity to meet contractual cash flows. The expected losses rate is minimal given there is no history of significant defaults and insignificant impact from forward-looking estimates.

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

The loss allowances for trade receivables, deposits and other receivables as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconcile to the opening loss allowances as follows:

	Trade receivables		**Deposit and other receivables**	
	Individual basis	**Collective basis**	**Individual basis**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	1,663	7,892	9,555
Impairment losses for the year	–	3,150	7,898	11,048
Receivables written off as uncollectible	–	–	(4,010)	(4,010)
At 31 December 2019	–	4,813	11,780	16,593
Impairment losses/(reversal) for the year	20,481	4,617	(4,207)	20,891
At 31 December 2020	20,481	9,430	7,573	37,484
Impairment losses/(reversal) for the year	6,726	(1,566)	210	5,370
At 31 December 2021	27,207	7,864	7,783	42,854
Impairment losses/(reversal) for the period	–	334	(1,088)	(754)
At 30 June 2022	27,207	8,198	6,695	42,100

(c) Liquidity risk

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term borrowings.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months other than loans, and lease liabilities equal their carrying balances, as the impact of discounting is not significant.

The Group

	On demand or less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Trade payables	378,835	–	–	–	378,835
Other payables	686,284	–	30,235	–	716,519
Amounts due to associates	18,495	–	–	–	18,495
Bank borrowings	620,888	8,412	18,659	–	647,959
Lease liabilities	32,844	100,677	36,860	126,522	296,903
	1,737,346	109,089	85,754	126,522	2,058,711

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Trade payables	304,932	–	–	–	304,932
Other payables	845,029	120	63,099	–	908,248
Amounts due to associates	17,890	–	–	–	17,890
Bank borrowings	929,808	10,515	8,412	–	948,735
Lease liabilities	32,553	31,637	62,066	176,318	302,574
	2,130,212	42,272	133,577	176,318	2,482,379

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade payables	345,196	–	–	–	345,196
Other payables	911,916	9,963	62,303	–	984,182
Amounts due to associates	15,882	–	–	–	15,882
Bank borrowings	1,489,838	1,919	11,280	4,741	1,507,778
Lease liabilities	55,174	51,732	147,840	337,340	592,086
	2,818,006	63,614	221,423	342,081	3,445,124

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2022					
Trade payables	500,553	–	–	–	500,553
Other payables	953,719	4,790	72,149	–	1,030,658
Amounts due to associates	4,194	–	–	–	4,194
Bank borrowings	1,332,846	9,201	3,602	4,403	1,350,052
Lease liabilities	54,453	49,509	143,398	316,962	564,322
	2,845,765	63,500	219,149	321,365	3,449,779

The Company

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019					
Trade payables	5,143	–	–	–	5,143
Other payables	647,800	–	30,235	–	678,035
Amounts due to subsidiaries	137,379	–	–	–	137,379
Bank borrowings	386,465	–	–	–	386,465
Lease liabilities	7,068	15,826	4,084	4,813	31,791
	1,183,855	15,826	34,319	4,813	1,238,813

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Trade payables	7,637	–	–	–	7,637
Other payables	811,086	120	63,099	–	874,305
Amounts due to subsidiaries	992,638	–	–	–	992,638
Bank borrowings	645,220	–	–	–	645,220
Lease liabilities	7,622	6,161	7,454	3,378	24,615
	2,464,203	6,281	70,553	3,378	2,544,415

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021					
Trade payables	15,387	–	–	–	15,387
Other payables	862,920	9,963	62,303	–	935,186
Amounts due to subsidiaries	2,338,038	–	–	–	2,338,038
Bank borrowings	950,070	–	–	–	950,070
Lease liabilities	9,890	5,119	10,161	1,115	26,285
	4,176,305	15,082	72,464	1,115	4,264,966

	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2022					
Trade payables	14,248	–	–	–	14,248
Other payables	902,326	1,455	72,149	–	975,930
Amounts due to subsidiaries	2,911,701	–	–	–	2,911,701
Bank borrowings	902,101	–	–	–	902,101
Lease liabilities	5,378	2,807	5,399	1,419	15,003
	4,735,754	4,262	77,548	1,419	4,818,983

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt/(cash) divided by total capital (the sum of total equity and net debt/(cash)), as shown in the consolidated statements of financial position. Net debt/(cash) is calculated as total bank borrowings and lease liabilities less cash and cash equivalents, bank deposits and restricted bank deposits.

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The gearing ratios (defined as net debt/cash) divided by total capital) as at 31 December 2019, 2020 and 2021 and 30 June 2022 were as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings (Note 28)	620,785	929,069	1,452,511	1,305,594
Lease liabilities (Note 16)	280,098	291,701	570,988	544,135
Less:				
Cash and cash equivalents (Note 27)	(317,248)	(454,636)	(564,666)	(1,897,504)
Bank deposits (Note 27)	–	(450,100)	(350,000)	(110,000)
Restricted bank deposits (Note 27)	(176,979)	(275,395)	(273,699)	(268,323)
Net debt/(cash)	406,656	40,639	835,134	(426,098)
Total equity	2,403,273	2,528,922	2,717,414	2,907,617
Total capital	2,809,929	2,569,561	3,552,548	2,481,519
Gearing ratio	14%	2%	24%	N/A

Substantial decrease in gearing ratio for the year ended 31 December 2020 resulted primarily from increase in cash and cash equivalents, bank deposits and restricted bank deposits.

Substantial increase in gearing ratio for the year ended 31 December 2021 resulted primarily from increase in bank borrowings and lease liabilities.

Substantial decrease in gearing ratio for the six months ended 30 June 2022 resulted primarily from increase in cash and cash equivalents.

3.3 Fair value estimation

(a) Financial assets

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels as following:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the fair value hierarchy of the Group's and the Company's financial assets that were measured at fair value at 31 December 2019, 2020 and 2021 and 30 June 2022.

The Group

Recurring fair value measurements At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVOCI				
– Listed equity securities	11,172	–	–	11,172
– Unlisted equity securities	–	–	65,177	65,177
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	765,822	765,822
– Unlisted compound financial instruments	–	–	79,716	79,716
	11,172	–	910,715	921,887

Recurring fair value measurements At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVOCI				
– Listed equity securities	9,953	–	–	9,953
– Unlisted equity securities	–	–	55,409	55,409
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	414,744	414,744
– Unlisted compound financial instruments	–	–	75,166	75,166
	9,953	–	545,319	555,272

Recurring fair value measurements At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVOCI				
– Listed equity securities	4,989	–	–	4,989
– Unlisted equity securities	–	–	5,875	5,875
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	1,039,995	1,039,995
– Unlisted compound financial instruments	–	–	82,286	82,286
	4,989	–	1,128,156	1,133,145

Recurring fair value measurements At 30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVOCI				
– Listed equity securities	2,908	–	–	2,908
– Unlisted equity securities	–	–	17,526	17,526
Financial assets at FVTPL	–	–	–	–
– Unlisted structured deposits	–	–	229,954	229,954
– Unlisted compound financial instruments	–	–	81,313	81,313
	2,908	–	328,793	331,701

The Company

Recurring fair value measurements At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	765,822	765,822

Recurring fair value measurements At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	414,744	414,744

Recurring fair value measurements At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	1,039,995	1,039,995

Recurring fair value measurements At 30 June 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL				
– Unlisted structured deposits	–	–	229,954	229,954

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those price represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instruments are observable, the instrument is included in level 2.

Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(i) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Listed equity securities – Quoted market prices;
- Unlisted equity securities – Market approach with price-to-earnings ratio for similar instruments, adjusted by discount for lack of marketability;
- Unlisted structured deposits – Discounted cash flow model with unobservable inputs including assumptions of expected future cash flows; and
- Compound financial instruments – Binominal tree model with unobservable inputs including assumptions of expected future cash flows and probability to meet conversion conditions, such conditions include meeting revenue growth target and gross profit target.

Level 3 instruments of the Group's and the Company's assets include unlisted equity securities measured at fair value through other comprehensive income, unlisted structured deposits measured at fair value through profit and loss and unlisted compound financial instruments measured at fair value through profit and loss.

(ii) Fair values measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the Track Record Period:

The Group	**Unlisted equity securities**	**Unlisted structured deposits**	**Unlisted compound financial instruments**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	71,440	1,239,000	–
Acquisitions	23,856	12,168,320	78,000
Redemption	–	(12,686,212)	–
Disposals	(63,967)	–	–
Gains recognised in other comprehensive income	33,848	–	–
Gains recognised in other gains, net*	–	44,714	1,716
At 31 December 2019	65,177	765,822	79,716
Acquisitions	8,243	6,173,494	7,916
Acquisitions of subsidiaries (Note 36.1(b))	930	–	–
Redemption	–	(6,547,591)	–
Transfer to associate (Note 21)	(29,789)	–	–
Gain recognised in other comprehensive income	10,848	–	–
Gains/(losses) recognised in other gains, net*	–	23,019	(12,466)
At 31 December, 2020	55,409	414,744	75,166

The Group	**Unlisted equity securities**	**Unlisted structured deposits**	**Unlisted compound financial instruments**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January, 2020	55,409	414,744	75,166
Acquisitions	3,002	7,487,295	20,000
Redemption	–	(6,881,429)	(2,743)
Transfer to interests in associates	(8,063)	–	–
Loss recognised in other comprehensive income	(44,473)	–	–
Gains/(losses) recognised in other gains, net*	–	19,385	(10,137)
At 31 December 2021	5,875	1,039,995	82,286
At 1 January, 2021 (unaudited)	55,409	414,744	75,166
Acquisitions	1,905	3,150,000	–
Redemption	–	(2,826,831)	(1,700)
Transfer to interests in associates	(2,957)	–	–
Loss recognised in other comprehensive income	(49,854)	–	–
Gains/(losses) recognised in other gains, net*	–	13,082	(4,832)
At 30 June 2021	4,503	750,995	68,634
At 1 January 2022	5,875	1,039,995	82,286
Acquisitions	10,581	2,299,806	–
Redemption	–	(3,118,296)	–
Disposals	(189)	–	–
Transfer to interests in associates	–	–	–
Gains recognised in other comprehensive income	1,259	–	–
Gains/(losses) recognised in other gains, net*	–	8,449	(973)
At 30 June 2022	17,526	229,954	81,313
* includes unrealised gains/(losses) recognised in profit or loss attributable to balances held at the end of year/period			
2019	–	3,381	1,716
2020	–	4,427	(12,466)
2021	–	3,731	(10,337)
2022	–	167	(973)

The Company	**Unlisted equity securities**	**Unlisted structured deposits**
	RMB'000	*RMB'000*
At 1 January 2019	58,473	1,239,000
Acquisitions	–	12,138,320
Redemption	(60,166)	(12,656,199)
Gains recognised in other comprehensive income	1,693	–
Gains recognised in other gains, net	–	44,701
At 31 December 2019	–	765,822
Acquisitions	–	6,171,494
Redemption	–	(6,545,417)
Gains recognised in other gains, net	–	22,845
At 31 December 2020	–	414,744
Acquisitions	–	7,417,295
Redemption	–	(6,811,135)
Gains recognised in other gains, net	–	19,091
At 31 December 2021	–	1,039,995

The Company	**Unlisted equity securities**	**Unlisted structured deposits**
	RMB'000	*RMB'000*
At 1 January 2021 (unaudited)	–	414,744
Acquisitions	–	3,150,000
Redemption	–	(2,826,831)
Gains recognised in other gains, net	–	13,082
At 30 June 2021	–	750,995
At 1 January 2022	–	1,039,995
Acquisitions	–	2,299,806
Redemption	–	(3,118,296)
Gains recognised in other gains, net	–	8,449
At 30 June 2022	–	229,954

The Group engages external, independent and qualified valuer, to determine the fair value of material unlisted equity securities. The finance department of the Group also includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the Financial Director ("FD") and the directors. Discussions of valuation processes and results are held between the FD, the directors and the valuation team at least once every six months, in line with the Group's half-yearly reporting periods.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (i) above for the valuation techniques adopted) and fair value increase if key assumptions been changed:

The Group

	Fair value								Fair value increased by			
	As at 31 December			As at 30 June					As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**					**2019**	**2020**	**2021**	**2022**
Description	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Unobservable inputs*	*Range of unobservable inputs*	*Relationship of unobservable inputs to fair value*	*Reasonable change in key assumptions*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity securities	65,177	55,409	5,875	17,526	(1) Price-to-earnings ratio for similar instruments	Year ended 31 December 2019 (1) 11.1x to 13.5x	(1) The higher the price-to-earnings ratio, the higher the fair value	– Price-to-earnings ratio for similar instruments increases by 1x	1,271	1,108	101	271
					(2) Discount for lack of marketability	(2) 25% to 30%	(2) The lower the discount for lack of marketability, the higher the fair value	– Discount for lack of marketability decreases by 5%	2,085	1,939	176	505
						Year ended 31 December 2020 (1) 11.5x to 14.0x (2) 25% to 30%						
						Year ended 31 December 2021 (1) 11.0x to 14.0x (2) 25% to 30%						
						Six months ended 30 June 2022 (1) 11.2x to 14.5x (2) 25% to 30%						

	Fair value								Fair value increased by			
	As at 31 December			As at 30 June					As at 31 December			As at 30 June
	2019	2020	2021	2022					2019	2020	2021	2022
Description	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Unobservable inputs*	*Range of unobservable inputs*	*Relationship of unobservable inputs to fair value*	*Reasonable change in key assumptions*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted compound financial instruments	79,716	75,166	82,286	81,313	(1) Expected return rate (2) Discount for lack of marketability	Year ended 31 December 2019 (1) 8.0% to 19.0% (2) N/A* Year ended 31 December 2020 (1) 8.5% to 19.5% (2) N/A* Year ended 31 December 2021 (1) 13.4% to 18.6% (2) 22% Six months ended 30 June 2022 (1) 12.5% to 18.0% (2) 22%	(1) The higher the expected return rate, the higher the fair value (2) The lower the discount for lack of marketability, the higher the fair value	(1) Expected return rate increases by 1% (2) Discount for lack of marketability decreased by 2%	2,444 N/A*	2,174 N/A*	1,633 327	1,564 235
Unlisted structured deposits	765,822	414,744	1,039,995	229,954	(1) Expected return rate	Year ended 31 December 2019 0.88% to 3.85% Year ended 31 December 2020 0.88% to 3.5% Year ended 31 December 2021 1.6% to 4.65% Six months ended 30 June 2022 1.35% to 3.3%	The higher the expected return rate, the higher the fair value	– Expected return rate increases by 1%	5,363	3,841	6,076	1,393

* No fair value change information is presented as management considered the discount for lack of marketability is not applicable to the compound financial instruments as at 31 December 2019 and 2020.

The Company

	Fair value								Fair value increased by			
	As at 31 December			As at 30 June					As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**					**2019**	**2020**	**2021**	**2022**
Description	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*Unobservable inputs*	*Range of unobservable inputs*	*Relationship of unobservable inputs to fair value*	*Reasonable change in key assumptions*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted structured deposits	765,822	414,744	1,039,995	229,954	Expected return rate	Year ended 31 December 2019 0.88% to 3.85% Year ended 31 December 2020 0.88% to 3.5% Year ended 31 December 2021 1.6% to 4.65% Six months ended 30 June 2022 1.35% to 3.3%	The higher the expected return rate, the higher the fair value	– Expected return rate increases by 1%	5,363	3,841	6,076	1,393

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

The carrying amounts of the Group's financial assets other than financial assets at FVTPL and financial assets at FVOCI, and the Group's financial liabilities, approximate their fair values due to their short maturities or with interest rate close to market rate.

(iii) Valuation processes

The Group both engages external, independent and qualified valuer and make use of in-house discounted cash flow analysis and market approach to determine the fair value of the financial instruments at the end of every financial year.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Price-to-earnings ratios are estimated by an external independent and qualified valuer, Vocation (Beijing) International Asset Valuation Co., Ltd or management based on historical data and industry data;
- Discount for lack of marketability are estimated by management based on industry data; and
- Expected return rate are estimated by management based on available market data.

(b) Non-financial assets

(i) Fair value hierarchy

This note explains the judgements and estimates made in determining the fair values of the non-financial assets that are recognised and measured at fair value in the consolidated statements of financial position. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its non-financial assets and liabilities into the three levels prescribed under the accounting standards. An explanation of each level is provided in Note 3.3(a).

The Group

At 31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-financial assets				
Investment property	–	–	2,753	2,753
Biological assets	–	–	3,006	3,006
	–	–	5,759	5,759

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-financial assets				
Investment property	–	–	2,622	2,622
Biological assets	–	–	2,131	2,131
	–	–	4,753	4,753

At 31 December 2021	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-financial assets				
Investment property	–	–	2,618	2,618
Biological assets	–	–	4,525	4,525
	–	–	7,143	7,143

At 30 June 2022	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-financial assets				
Investment property	–	–	2,574	2,574
Biological assets	–	–	4,445	4,445
	–	–	7,019	7,019

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to determine fair values

The fair value of growing fresh fruit bunches is determined using a discounted cash flow model based on the expected yield by plantation size, the market price for the fruits and after allowing for harvesting costs, contributory asset charges for the land and fruit trees owned by the entity and other costs yet to be incurred in getting the fresh fruit bunches to maturity.

The fair value of the investment property was arrived by using recent transaction price as the investment property was newly acquired in December 2019. The fair value of the investment property was determined using market approach with unit price for similar properties in December 2020 and 2021.

All resulting fair value estimates for biological assets and properties are included in level 3.

(iii) Valuation processes

The Group engages external, independent and qualified valuer to determine the fair value of the biological assets at the end of every financial year. For the investment property, directors' valuation with reference to the market selling price has been performed as at 31 December 2019, 2020 and 2021 and 30 June 2022.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Biological assets — growing fruits yield, price of fruits and discount rates, are estimated by an external independent and qualified valuer, Vocation (Beijing) International Asset Valuation Co., Ltd or management based on the age of the plantation, climate-induced variations, historical data and industry data; and

- Investment property — Market approach with unit price for similar properties.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the Track Record Period:

The Group

	Biological assets	Investment property	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019	1,977	–	1,977
Acquisitions	–	2,753	2,753
Purchase and cultivation	6,341	–	6,341
Transfer to inventories	(5,071)	–	(5,071)
Losses recognised in other gains, net*	(241)	–	(241)
At 31 December 2019	3,006	2,753	5,759
Purchase and cultivation	8,594	–	8,594
Transfer to inventories	(9,620)	–	(9,620)
Gains/(losses) recognised in other gains, net*	151	(131)	20
At 31 December 2020	2,131	2,622	4,753
Purchase and cultivation	8,274	–	8,274
Transfer to inventories	(5,386)	–	(5,386)
Losses recognised in other gains, net*	(494)	(4)	(498)
At 31 December 2021	4,525	2,618	7,143
At 1 January 2021 (unaudited)	2,131	2,622	4,753
Purchase and cultivation	3,844	–	3,844
Transfer to inventories	(2,535)	–	(2,535)
Losses recognised in other gains, net*	212	(6)	206
At 30 June 2021	3,652	2,616	6,268
At 1 January 2022	4,525	2,618	7,143
Purchase and cultivation	5,231	–	5,231
Transfer to inventories	(4,597)	–	(4,597)
Losses recognised in other gains, net*	(714)	(44)	(758)
At 30 June 2022	4,445	2,574	7,019
* includes unrealized gains/(losses) recognised in profit or loss attributable to balances held at the end of year/period			
2019	150	–	150
2020	219	(131)	88
2021	(156)	(4)	(160)
2022	(235)	(44)	(279)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

The Group

	Fair value						
	As at 31 December			As at 30 June			
Description	**2019**	**2020**	**2021**	**2022**	**Unobservable inputs**	**Range of unobservable inputs**	**Relationship of unobservable inputs to fair value**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*			
Biological assets	3,006	2,131	4,525	4,445	(1) Growing fruits yield – kg per hectare (2) Fruits price (3) Discount rate	Year ended of 31 December 2019 (1) 756 to 3,911 per year (2) RMB5.2 to RMB25.0 per kg (3) 12.0% to 12.9% Year ended of 31 December 2020 (1) 886 to 3,644 per year (2) RMB4.0 to RMB23.0 per kg (3) 12.4% to 12.7% Year ended of 31 December 2021 (1) 1,027 to 5,588 per year (2) RMB7.2 to RMB24.0 per kg (3) 10.9% to 11.1% Six months ended 30 June 2022 (1) 988 to 4,258 per period (2) RMB6.8 to RMB20.8 per kg (3) 10.7% to 10.8%	(1) The higher the growing fruits yield, the higher the fair value (2) The higher the fruits price, the higher the fair value (3) The lower the discount rate, the higher the fair value
Investment property	2,753	2,622	2,618	2,574	(1) Price per square meter	(1) From RMB21,000 to RMB25,000 per square meter	The higher the price per square meter, the higher the fair value

There were no significant inter-relationships between unobservable inputs that materially affect fair values.

3.4 Offsetting financial assets and financial liabilities

The following table presents the recognised financial instruments that are offset as at 31 December 2019, 2020 and 2021 and 30 June 2022.

	Effects of offsetting on the balance sheet		
	Gross amounts	**Gross amounts set off in the balance sheet**	**Net amounts presented in balance sheet**
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
Financial assets			
Trade receivables	2,296,416	(852,685)	1,443,731
Deposits and other receivables	499,658	(122,936)	376,722
	2,796,074	(975,621)	1,820,453
Financial liabilities			
Other payables	1,692,140	(975,621)	716,519
As at 31 December 2020			
Financial assets			
Trade receivables	2,113,153	(822,279)	1,290,874
Deposits and other receivables	569,487	(95,919)	473,568
	2,682,640	(918,198)	1,764,442
Financial liabilities			
Other payables	1,826,446	(918,198)	908,248
As at 31 December 2021			
Financial assets			
Trade receivables	1,992,034	(835,807)	1,156,227
Deposits and other receivables	579,666	(106,098)	473,568
	2,571,700	(941,905)	1,629,795
Financial liabilities			
Other payables	1,926,087	(941,905)	984,182
As at 30 June 2022			
Financial assets			
Trade receivables	1,995,057	(911,959)	1,083,098
Deposits and other receivables	474,554	(53,069)	421,485
	2,469,611	(965,028)	1,504,583
Financial liabilities			
Other payables	1,995,686	(965,028)	1,030,658

The Group collects sales proceeds on behalf of the franchisees and settle with each of the franchised store regularly by remitting the sales proceeds to the franchisees after deducting the monthly royalty fee, repayment of interest-bearing loans provided and the outstanding purchase amounts of fruits and other products from the Group. The relevant amounts have therefore been presented net in the consolidated statements of financial position.

4 Critical accounting estimates and judgements

The preparation of historical financial information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Basis of consolidation

In the normal course of business, the Group enters into franchise agreements with franchisees. The rights and obligations of the Group and the franchisees are stipulated by respective franchise agreements. Because of the complexity of the arrangements, significant judgement is needed in determining whether the Group has the power to control and therefore should consolidate the franchisees.

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. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the conclusion whether the franchisees is under the control of the Group requires the application of judgement through the analysis of various factors including the extent of power the Group has on relevant activities of the franchisees. Based on the Group's analysis, it has concluded that it does not has such power on the franchisees.

(b) Current and deferred income tax

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

(c) Goodwill impairment assessment

The Group tests annually whether goodwill have suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of CGUs have been determined based on value-in-use calculations. The underlying assumptions adopted in these calculations required the use of judgements and estimates (Note 18).

(d) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Details of the key assumptions and inputs used are disclosed in the tables in Note 18.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's history, existing market conditions as well as forward looking estimates at the end of each reporting period. Refer to Note 3.3(a) for the fair value measurement.

(f) Fair value measurement of financial instruments and equity instruments

The fair value of financial instruments and equity instruments that are not traded in an active market is determined by using appropriate valuation techniques and making assumptions that are based on market conditions existing at each reporting date. Refer to Note 3.3(a) for the fair value measurement and the sensitivity analysis of financial instruments and equity instruments.

5 Segment information

(a) Description of segments and principal activities

The CODM has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segment based on these reports.

The CODM assess the performance of the Group in below reportable operating segments:

– Operation of franchised and self-owned retail networks ("Franchising")

– Sales of fruit and other food products – trading of fruits ("Trading")

– Others

The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of fair value gain on structured deposits, legal and professional fees, [**REDACTED**] expenses, income tax expense, interest income on bank deposits and interest expenses on borrowings. Other information provided to the CODM is measured in a manner consistent with that in the historical financial information.

(b) Segment revenue and results

An analysis of the Group's revenue and results during the Track Record Period by operating segment is as follows:

	Franchising	**Trading**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Revenue from contracts	8,706,360	490,666	5,711	9,202,737
Less: Inter-segment revenue	–	(223,291)	(3,313)	(226,604)
Revenue from external customers	8,706,360	267,375	2,398	8,976,133
Segment results	284,602	26,511	(9,736)	301,377
Unallocated other gains, net				44,714
Unallocated corporate expenses				(51,381)
Unallocated finance income				3,031
Unallocated finance cost				(29,060)
Profit before income tax				268,681
Income tax expense				(20,384)
Profit for the year				248,297
Depreciation and amortisation	64,637	11,802	3,339	79,778
Additions to:				
Property, plant and equipment	78,592	2,021	9,423	90,036
Right-of-use assets	162,243	–	–	162,243
Intangible assets	25,937	–	–	25,937
Acquisition of a subsidiary (Note 36.1)				
– Property, plant and equipment	–	36,971	–	36,971
– Right-of-use assets	–	9,026	–	9,026
– Intangible assets	–	170,490	–	170,490

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020				
Revenue from contracts	8,526,791	505,244	8,464	9,040,499
Less: Inter-segment revenue	–	(183,947)	(2,859)	(186,806)
Revenue from external customers	8,526,791	321,297	5,605	8,853,693
Segment results	148,906	12,443	(22,765)	138,584
Unallocated other gains, net				22,776
Unallocated corporate expenses				(65,820)
Unallocated finance income				12,192
Unallocated finance cost				(36,022)
Profit before income tax				71,710
Income tax expense				(26,052)
Profit for the year				45,658
Depreciation and amortisation	75,617	13,712	2,525	91,854
Additions to:				
Property, plant and equipment	57,705	1,404	10,610	69,719
Right-of-use assets	59,837	–	–	59,837
Intangible assets	16,871	–	–	16,871
Step acquisition of subsidiaries (Note 36.1)				
– Property, plant and equipment	–	–	1,183	1,183
– Intangible assets	–	–	2,198	2,198

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021				
Revenue from contracts	9,973,084	645,445	11,378	10,629,907
Less: Inter-segment revenue	–	(336,858)	(3,674)	(340,532)
Revenue from external customers	9,973,084	308,587	7,704	10,289,375
Segment results	355,826	(6,622)	8,031	357,235
Unallocated other gains, net				20,633
Unallocated corporate expenses				(92,031)
Unallocated finance income				24,091
Unallocated finance cost				(47,948)
Profit before income tax				261,980
Income tax expense				(36,164)
Profit for the year				225,816
Depreciation and amortisation	107,762	7,457	2,599	117,818
Additions to:				
Property, plant and equipment	80,703	750	19,666	101,119
Right-of-use assets	382,577	–	–	382,577
Intangible assets	10,069	–	–	10,069

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2021 (unaudited)				
Revenue from contracts	5,363,857	335,397	7,844	5,707,098
Less: Inter-segment revenue	–	(179,240)	(2,434)	(181,674)
Revenue from external customers	5,363,857	156,157	5,410	5,525,424
Segment results	206,539	4,548	(509)	210,578
Unallocated other gains, net				15,502
Unallocated corporate expenses				(54,134)
Unallocated finance income				5,137
Unallocated finance cost				(20,674)
Profit before income tax				156,409
Income tax expense				(20,363)
Profit for the period				136,046
Depreciation and amortisation	51,159	1,237	1,233	53,629
Additions to:				
Property, plant and equipment	7,660	542	6,547	14,749
Right-of-use assets	311,892	–	–	311,892
Intangible assets	760	–	–	760

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2022				
Revenue from contracts	5,744,158	409,460	7,947	6,161,565
Less: Inter-segment revenue	–	(245,068)	(1,776)	(246,844)
Revenue from external customers	5,744,158	164,392	6,171	5,914,721
Segment results	245,820	15,654	5,107	266,581
Unallocated other gains, net				7,476
Unallocated corporate expenses				(50,838)
Unallocated finance income				15,423
Unallocated finance cost				(27,061)
Profit before income tax				211,581
Income tax expense				(21,498)
Profit for the period				190,083
Depreciation and amortisation	57,521	1,786	2,112	61,419
Additions to:				
Property, plant and equipment	37,000	2,031	4,581	43,612
Right-of-use assets	7,588	–	–	7,588
Intangible assets	1,391	–	–	1,391

(c) Segment assets and liabilities

The segment assets and liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 are as follows:

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Total segment assets	2,649,120	332,298	435,273	3,416,691
Unallocated				
Financial assets at FVTPL				765,822
Cash and bank balances				494,227
Investment property				2,753
Other unallocated corporate assets				6,490
Total assets				4,685,983
Interests in associates and joint ventures	–	–	112,138	112,138
Total segment liabilities	1,431,801	133,224	74,650	1,639,675
Unallocated				
Bank borrowings				620,785
Other unallocated corporate liabilities				22,250
Total liabilities				2,282,710

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020				
Total segment assets	2,724,422	226,202	692,225	3,642,849
Unallocated				
Financial assets at FVTPL				414,744
Cash and bank balances				1,180,131
Investment property				2,622
Other unallocated corporate assets				4,412
Total assets				5,244,758
Interests in associates and joint ventures	–	–	258,956	258,956
Total segment liabilities	1,617,937	58,734	92,169	1,768,840
Unallocated				
Bank borrowings				929,069
Other unallocated corporate liabilities				17,927
Total liabilities				2,715,836

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021				
Total segment assets	3,124,045	221,150	832,889	4,178,084
Unallocated				
Financial assets at FVTPL				1,039,995
Cash and bank balances				1,188,365
Investment property				2,618
Other unallocated corporate assets				15,074
Total assets				6,424,136
Interests in associates and joint ventures	–	–	324,451	324,451
Total segment liabilities	2,042,651	70,354	130,166	2,243,171
Unallocated				
Bank borrowings	–	–	–	1,452,511
Other unallocated corporate liabilities	–	–	–	11,040
Total liabilities				3,706,722

	Franchising	Trading	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 30 June 2022				
Total segment assets	3,352,305	191,767	529,754	4,073,826
Unallocated				
Financial assets at FVTPL				229,954
Cash and bank balances				2,275,827
Investment property				2,574
Other unallocated corporate assets				5,566
Total assets				6,587,747
Interests in associates and joint ventures	–	–	336,856	336,856
Total segment liabilities	2,178,251	51,558	136,086	2,365,895
Unallocated				
Bank borrowings				1,305,594
Other unallocated corporate liabilities				8,641
Total liabilities				3,680,130

(d) Geographical segment

Analysis of revenue of the Group by geographical market is as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Mainland China	8,809,098	8,713,520	10,138,716	5,457,559	5,842,379
Hong Kong and other countries	167,035	140,173	150,659	67,865	72,342
	8,976,133	8,853,693	10,289,375	5,525,424	5,914,721

All the Group's assets and liabilities are located in the PRC. Accordingly, no segment assets and liabilities by geographical segment is presented.

There is no single external customers contributed to more than 10% of the Group's revenue during the Track Record Period.

(e) Disaggregation of revenue from contracts with customers

Revenue of the Group is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Sales of fruits and other food products	8,749,826	8,636,814	9,991,758	5,367,150	5,730,693
Royalty and franchising income	171,549	131,364	160,288	92,405	95,211
Membership income	46,062	54,454	77,670	33,961	42,820
Others	8,696	31,061	59,659	31,908	45,997
	8,976,133	8,853,693	10,289,375	5,525,424	5,914,721
Timing of revenue recognition					
At a point in time	8,749,826	8,636,814	9,991,758	5,367,150	5,730,693
Over time	226,307	216,879	297,617	158,274	184,028
	8,976,133	8,853,693	10,289,375	5,525,424	5,914,721

(f) Liabilities related to contracts with customers

The Group

The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Royalty and franchising income	36,695	42,271	43,335	41,358
Sales of fruits and other food products	3,786	6,225	5,767	3,775
	40,481	48,496	49,102	45,133

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Royalty and franchising income	3,523	8,320	10,725	6,088	7,378
Sales of fruits and other food products	1,590	3,786	6,225	6,225	5,767
	5,113	12,106	16,950	12,313	13,145

(ii) Unsatisfied performance obligations

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the remaining performance obligations relating to sales of fruits and other food products not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

The following table shows unsatisfied performance obligations resulting from royalty and franchising income and expected recognition as revenue:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,059	10,626	12,907	16,807
1 year to 2 years	7,856	10,526	11,621	9,820
2 years to 5 years	20,780	21,119	18,807	14,731
	36,695	42,271	43,335	41,358

The Company

The Company has recognised the following liabilities related to contracts with customers:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Royalty and franchising income	36,695	42,271	43,335	41,358
Sales of fruits and other food products	3,251	4,737	5,483	3,775
	39,946	47,008	48,818	45,133

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Royalty and franchising income	3,523	8,320	10,725	6,088	7,378
Sales of fruits and other food products	3,653	3,251	4,737	4,737	5,483
	7,176	11,571	15,462	10,825	12,861

(ii) Unsatisfied performance obligations

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the remaining performance obligations relating to sales of fruits and other food products not yet satisfied by the Company were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations were not disclosed.

The following table shows unsatisfied performance obligations resulting from royalty and franchising income:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	8,059	10,626	12,907	16,807
1 year to 2 years	7,856	10,526	11,621	9,820
2 years to 5 years	20,780	21,119	18,807	14,731
	36,695	42,271	43,335	41,358

6 Other income

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants (Note a)	17,335	14,761	7,225	4,417	16,347
Compensation income from warehouse relocation (Note b)	19,655	–	–	–	–
Penalty income from franchisees (Note c)	722	467	4,041	1,428	1,047
Interest income arising from loans (Note d)	20,739	31,535	21,120	11,211	11,107
Others	1,033	2,432	2,173	1,239	1,025
	59,484	49,195	34,559	18,295	29,526

Notes:

(a) Government grants mainly represent subsidies obtained from local governments upon fulfilling certain conditions or for engaging in specific industry. There are no unfulfilled conditions or other contingencies attaching to the government grants. The Group did not benefit directly from any other forms of government assistance.

(b) Compensation income from warehouse relocation represents a one-time compensation payment received during the year ended 31 December 2019 from the landlord of a previous distribution centre located in Shanghai, for the vacation request by the local government for local municipal remodeling.

(c) Penalty income from franchisees represent various occasional penalty payments collected from the franchisees pursuant to non-compliance with franchise agreement (e.g. violation of operational procedures).

(d) Interest income is arisen from interest-bearing loans to franchisees, factoring amounts to regional dealers, factoring amounts to suppliers, loans to associates and interest-bearing loans to third parties. For details, please refer to Note 25 and Note 38(d).

7 Other gains, net

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Fair value (losses)/gains on biological assets (Note 23)	(241)	151	(494)	212	(714)
Fair value gains on financial assets at FVTPL, net (Note 26)	46,430	10,553	9,248	8,250	7,476
Losses on disposals of property, plant and equipment (Note 34(b))	(14,769)	(406)	(224)	(223)	(918)
Loss on dissolution of a subsidiary (Note 37)	(394)	–	–	–	–
Re-measurement gain on interest in associates (Note 36.1(b))	–	16,097	–	–	–
Gains/(losses) on lease termination	2,203	13	(213)	(203)	116
(Losses)/gains on disposal of associates and joint ventures (Note 20)	–	(243)	1,248	–	–
Exchange gains/(losses), net	817	2,038	(1,510)	(401)	1,716
	34,046	28,203	8,055	7,635	7,676

8 Expenses by nature

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of inventories sold	7,788,602	7,658,785	8,705,686	4,708,374	4,993,775
Employee benefit expenses (including directors' emoluments) (Note 9)	518,485	545,517	676,031	320,787	357,260
[**REDACTED**] expenses	–	–	11,897	3,688	14,563
Depreciation of property, plant and equipment (Note 15)	30,195	33,866	40,202	17,493	19,462
Depreciation of right-of-use assets (Note 16)	41,592	44,544	63,314	29,303	34,237
Amortisation of intangible assets (Note 18)	7,991	13,444	14,302	6,833	7,720
Legal, professional and consulting fees	46,805	61,520	74,756	50,446	36,276
Delivery charges	131,769	189,979	198,641	99,014	108,142
Marketing and promotion expenses	43,854	79,981	65,483	36,499	35,143
Office supplies	11,477	7,881	13,127	3,214	2,439
Labour cost (Note)	12,639	28,507	43,301	22,316	35,963
Expense relating to short-term leases (Note 16)	21,462	31,520	34,380	18,278	20,886
Travelling expenses	17,961	10,828	12,805	5,465	4,496
Entertainment	9,104	7,335	7,670	3,129	4,733
Water and electricity	10,996	11,920	15,421	6,070	7,035
Other tax expenses	15,423	13,780	18,477	9,696	10,933
Others	32,408	23,093	31,530	23,449	29,401
	8,740,763	8,762,500	10,027,023	5,364,054	5,722,464
Representing:					
Cost of sales	8,099,777	8,046,263	9,132,939	4,924,177	5,237,328
Selling expenses	344,863	394,593	451,730	220,561	246,184
Administrative expenses	236,871	215,591	302,612	154,094	152,672
Research and development expenses	59,252	106,053	139,742	65,222	86,280
	8,740,763	8,762,500	10,027,023	5,364,054	5,722,464

Note: Balance represents costs incurred by the Group for human resources companies responsible for outsourced staff working at warehouses and distribution centres.

9 Employee benefit expenses (including directors' emoluments)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	441,298	466,760	548,501	255,152	270,164
Bonus	22,478	16,473	45,420	27,424	32,970
Retirement benefits costs – defined contribution plans	60,499	46,600	61,233	26,666	40,523
Benefits and allowances	19,116	15,684	20,877	11,545	13,603
	543,391	545,517	676,031	320,787	357,260
Less: Capitalised in intangible assets					
Wages and salaries	(23,900)	–	–	–	–
Retirement benefits costs – defined contribution plans	(751)	–	–	–	–
Benefits and allowances	(255)	–	–	–	–
	518,485	545,517	676,031	320,787	357,260

10 Benefits and interests of directors and senior management's emoluments

(a) Directors' emoluments

None of the directors of the Company and of the companies comprising the Group waived any emoluments during the Track Record Period.

Details of the emoluments paid and payable to the directors of the Company are as follows:

	Year ended 31 December 2019						
Name of directors	**Fees**	**Salaries**	**Discretionary bonus**	**Allowance and benefits in kind**	**Employee's contribution to retirement benefit scheme**	**Other emoluments paid**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu Huiyong ("Mr. Yu") *(Chairman and chief executive)* (Note (i))	–	1,599	112	4	9	–	1,724
Ms. Xu Yanlin ("Ms. Xu") (Note (ii))	–	879	111	4	9	–	1,003
Mr. Tian Xiqiu ("Mr. Tian") (Note (iii))	–	183	21	4	6	–	214
Mr. Zhu Qidong ("Mr. Zhu") (Note (ii))	–	689	110	4	9	–	812
Mr. Jiao Yue ("Mr. Jiao") (Note (ii))	–	698	112	4	9	–	823
	–	4,048	466	20	42	–	4,576
Non-executive directors							
Mr. Pan Pan ("Mr. Pan") (Note (iv))	–	–	–	–	–	–	–
Mr. Hu Qihao ("Mr. Hu") (Note (v))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	–	4,048	466	20	42	–	4,576

	Year ended 31 December 2020						
Name of directors	**Fees**	**Salaries**	**Discretionary bonus**	**Allowance and benefits in kind**	**Employee's contribution to retirement benefit scheme**	**Other emoluments paid**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu *(Chairman and chief executive)* (Note (i))	–	797	–	–	11	–	808
Ms. Xu (Note (ii))	–	1,105	–	–	11	–	1,116
Mr. Tian (Note (iii))	–	797	–	–	11	–	808
Mr. Zhu (Note (ii))	–	755	–	–	11	–	766
Mr. Jiao (Note (ii))	–	791	–	–	11	–	802
	–	4,245	–	–	55	–	4,300
Non-executive directors							
Mr. Pan (Note (iv))	–	–	–	–	–	–	–
Mr. Hu (Note (v))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
Dr. Jiang Yanbo ("Dr. Jiang") (Note (vi))	–	–	–	–	–	–	–
Mr. Ma Ruiguang ("Mr. Ma") (Note (vi))	–	–	–	–	–	–	–
Dr. Wu Zhanchi ("Dr. Wu") (Note (vi))	–	–	–	–	–	–	–
Ms. Zhu Fung ("Ms. Zhu") (Note (vii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	–	4,245	–	–	55	–	4,300

	Year ended 31 December 2021						
Name of directors	**Fees**	**Salaries**	**Discretionary bonus**	**Allowance and benefits in kind**	**Employee's contribution to retirement benefit scheme**	**Other emoluments paid**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu *(Chairman and chief executive)* (Note (i))	–	1,195	–	–	15	–	1,210
Ms. Xu (Note (ii))	–	731	230	–	15	–	976
Mr. Tian (Note (iii))	–	1,195	–	–	15	–	1,210
Mr. Zhu (Note (ii))	–	636	160	–	15	–	811
Mr. Jiao (Note (ii))	–	986	170	–	15	–	1,171
	–	4,743	560	–	75	–	5,378
Non-executive directors							
Mr. Pan (Note (iv))	–	–	–	–	–	–	–
Mr. Hu (Note (v))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
Dr. Jiang (Note (vi))	–	–	–	–	–	–	–
Mr. Ma (Note (vi))	–	–	–	–	–	–	–
Dr. Wu (Note (vi))	–	–	–	–	–	–	–
Ms. Zhu (Note (vii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	–	4,743	560	–	75	–	5,378

	Six months ended 30 June 2021 (Unaudited)						
Name of directors	**Fees**	**Salaries**	**Discretionary bonus**	**Allowance and benefits in kind**	**Employee's contribution to retirement benefit scheme**	**Other emoluments paid**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu *(Chairman and chief executive)* (Note (i))	–	498	–	–	4	–	502
Ms. Xu (Note (ii))	–	345	115	–	4	–	464
Mr. Tian (Note (iii))	–	498	–	–	4	–	502
Mr. Zhu (Note (ii))	–	256	80	–	4	–	340
Mr. Jiao (Note (ii))	–	457	85	–	4	–	546
	–	2,054	280	–	20	–	2,354
Non-executive directors							
Mr. Pan (Note (iv))	–	–	–	–	–	–	–
Mr. Hu (Note (v))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
Dr. Jiang (Note (vi))	–	–	–	–	–	–	–
Mr. Ma (Note (vi))	–	–	–	–	–	–	–
Dr. Wu (Note (vi))	–	–	–	–	–	–	–
Ms. Zhu (Note (vii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	–	2,054	280	–	20	–	2,354

	Six months ended 30 June 2022						
Name of directors	**Fees**	**Salaries**	**Discretionary bonus**	**Allowance and benefits in kind**	**Employee's contribution to retirement benefit scheme**	**Other emoluments paid**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors							
Mr. Yu *(Chairman and chief executive)* (Note (i))	–	498	–	–	34	–	532
Ms. Xu (Note (ii))	–	620	115	–	34	–	769
Mr. Tian (Note (iii))	–	498	–	–	–	–	498
Mr. Zhu (Note (ii))	–	355	80	–	34	–	469
Mr. Jiao (Note (ii))	–	502	85	–	34	–	621
	–	2,473	280	–	136	–	2,889
Non-executive directors							
Mr. Pan (Note (iv))	–	–	–	–	–	–	–
Mr. Hu (Note (v))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Independent non-executive directors							
Dr. Jiang (Note (vi))	–	–	–	–	–	–	–
Mr. Ma (Note (vi))	–	–	–	–	–	–	–
Dr. Wu (Note (vi))	–	–	–	–	–	–	–
Ms. Zhu (Note (vii))	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Total	–	2,473	280	–	136	–	2,889

Notes:

(i) Mr. Yu was appointed as the Company's chairman at the date of incorporation on 3 December 2001. Mr. Yu was re-designated as the Company's chief executive director as at 25 March 2020.

(ii) Ms. Xu, Mr. Jiao, and Mr. Zhu were appointed as the Company's director on 7 May 2019 and was re-designated as the Company's executive director on 25 March 2020.

(iii) Mr. Tian was appointed as the Company's director on 3 December 2001 and served as a director of the Company till 10 July 2008. Mr. Tian re-joined the Company on 25 August 2015 as a director and was re-designated as an executive director on 25 March 2020.

(iv) Mr. Pan was appointed as the Company's director on 25 August 2015 and was re-designated as the Company's non-executive director on 25 March 2020. No emolument was paid/payable during the Track Record Period.

(v) Mr. Hu was appointed as the Company's director on 7 May 2019 and re-designated as the Company's non-executive director on 25 March 2020. No emolument was paid/payable during the Track Record Period.

(vi) Dr. Jiang, Mr. Ma and Dr. Wu were appointed on 25 March 2020 as the Company's independent non-executive director and therefore no emolument were paid/payable during the Track Record Period.

(vii) Ms. Zhu was appointed as the Company's director on 15 December 2020 and was re-designated as the Company's independent non-executive director on 22 December 2021. No emolument was paid/payable during the Track Record Period.

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the Track Record Period.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the Track Record Period.

(d) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years and each of the six months ended 31 December 2019, 2020 and 2021 and 30 June 2021 and 2022, or at any time during the Track Record Period.

(g) Five highest paid individuals

For the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022, the five individuals whose emoluments were the highest in the Group include 2, 1, and 2 and 3 and 3 directors, respectively, whose emoluments were reflected in the analysis presented above. The emoluments paid to the remaining 3, 4, and 3 and 2 and 2 individuals are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Wages and salaries	3,256	3,546	4,035	1,476	1,051
Retirement benefits costs – defined contribution plans	35	38	43	4	45
Benefits and allowances	11	–	1	1	–
	3,302	3,584	4,079	1,481	1,096

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Emolument bands (in Hong Kong dollar)					
Below HK$500,001 (equivalent to RMB446,501)	–	–	–	–	–
HK$500,001 to HK$1,000,000 (equivalent to RMB446,501 to RMB893,001)	–	–	–	1	2
HK$1,000,001 to HK$1,500,000 (equivalent to RMB893,001 to RMB1,339,000)	3	4	2	1	–
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,339,001 to RMB1,786,000)	–	–	1	–	–

11 Finance costs, net

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Finance costs					
Interest expenses on bank borrowings	29,060	36,022	47,948	20,674	27,061
Interest expenses on lease liabilities	15,613	16,043	30,242	13,107	16,438
	44,673	52,065	78,190	33,781	43,499
Finance income					
Interest income on bank deposits	(3,031)	(12,192)	(24,091)	(5,137)	(15,423)
Finance costs, net	41,642	39,873	54,099	28,644	28,076

12 Income tax expense

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current income tax	16,321	27,903	39,594	20,934	23,124
Deferred income tax (Note 31)	4,063	(1,851)	(3,430)	(571)	(1,626)
Income tax expense	20,384	26,052	36,164	20,363	21,498

Companies comprising the Group are established and operating in the PRC. Most of them are subject to PRC corporate income tax ("CIT") at the rate of 25% for the Track Record Period, except for one subsidiary which was awarded certificate of High and New Technology Enterprises ("HNTE") in October 2017. Such entity was entitled to a preferential CIT rate of 15% up to the expiry of the certificate in October 2023. The further entitlement to such HNTE tax incentive is subject to the successful renewal of certificate by the PRC tax authority. According to Article 27 of the China Corporate Income Tax Law and Article 86 of the Implementation Regulation of the CIT Law, income and expenses attributable to processing of agricultural products are exempted from the CIT for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022, subject to annual review by the local PRC tax authority of the Company's subsidiaries.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate applicable to profits of the group companies as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before income tax	268,681	71,710	261,980	156,409	211,581
Tax calculated at applicable tax rates	64,689	17,409	59,459	39,586	50,424
Tax effect of:					
– Income not subject to tax (Note a)	(2,011,139)	(1,984,905)	(2,147,746)	(1,165,935)	(1,213,797)
– Expenses not deductible for tax purposes (Note a)	1,936,212	1,938,695	2,017,193	1,094,325	1,121,385
– Tax losses not recognised	32,279	57,764	107,258	52,387	63,486
– Tax incentive for research and development expenses (Note b)	(1,657)	(2,911)	–	–	–
	20,384	26,052	36,164	20,363	21,498

Notes:

(a) Disclosed as above, the income and expenses attributable to processing of agricultural products are exempted from the CIT.

(b) According to relevant laws and regulations enterprises engaging in research and development activities are entitled to claim as deduction 175% as tax deductible expenses when determining their taxable profits for the year (the "Super deduction"). Management have made best estimate for the Super Deduction to be claimed in ascertaining the assessable profits during the Track Record Period.

13 Earnings per share for the profit attributable to the owners of the Company

(a) Basic earnings per share

The basic earnings per share is calculated on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022. In determining the weighted average number of ordinary shares outstanding, the 1,500,000,000 shares converted upon the conversion of the Company from limited liability company into joint stock company on 10 April 2020 were accounted for as if it was effective from 1 January 2019.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(unaudited)	
Profit attributable to owners of the Company (RMB'000)	249,453	49,063	234,798	141,462	198,985
Weighted average number of shares outstanding ('000)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Basic earnings per share (expressed in RMB cent)	16.63	3.27	15.65	9.43	13.27

(b) Diluted earnings per share

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the Track Record Period.

14 Dividends

No dividend has been paid or declared by the Company for the Track Record Period.

15 Property, plant and equipment

The Group

	Buildings	Leasehold Improvements	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicles	CIP	Mature fruit trees	Immature fruit trees	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019									
Cost	2,274	138,486	21,910	15,793	5,462	–	10,022	7,392	201,339
Accumulated depreciation	(714)	(36,971)	(11,249)	(6,456)	(1,430)	–	(1,758)	–	(58,578)
Net book amount	1,560	101,515	10,661	9,337	4,032	–	8,264	7,392	142,761
Year ended 31 December 2019									
Opening net book amount	1,560	101,515	10,661	9,337	4,032	–	8,264	7,392	142,761
Additions	–	55,014	22,187	6,950	969	–	–	4,916	90,036
Acquisition of a subsidiary (Note 36.1(a))	–	27,716	5,870	1,647	1,738	–	–	–	36,971
Transfer	–	–	–	–	–	–	21	(21)	–
Disposals	–	(19,362)	(3,562)	(525)	(123)	–	(1,669)	(47)	(25,288)
Depreciation	(114)	(17,837)	(4,296)	(5,514)	(1,705)	–	(729)	–	(30,195)
Closing net book amount	1,446	147,046	30,860	11,895	4,911	–	5,887	12,240	214,285
At 31 December 2019									
Cost	2,274	201,824	46,105	23,565	7,745	–	7,972	12,240	301,725
Accumulated depreciation	(828)	(54,778)	(15,245)	(11,670)	(2,834)	–	(2,085)	–	(87,440)
Net book amount	1,446	147,046	30,860	11,895	4,911	–	5,887	12,240	214,285
Year ended 31 December 2020									
Opening net book amount	1,446	147,046	30,860	11,895	4,911	–	5,887	12,240	214,285
Additions	–	40,537	12,826	7,463	990	–	–	7,903	69,719
Step acquisition of subsidiaries (Note 36.1(b))	–	–	813	80	290	–	–	–	1,183
Transfers	–	–	–	–	–	–	30	(30)	–
Disposals	–	(2,169)	(172)	(972)	(443)	–	–	(231)	(3,987)
Depreciation	(114)	(21,259)	(3,901)	(6,346)	(1,522)	–	(724)	–	(33,866)
Closing net book amount	1,332	164,155	40,426	12,120	4,226	–	5,193	19,882	247,334
At 31 December 2020									
Cost	2,274	240,191	59,572	30,136	8,583	–	8,002	19,882	368,640
Accumulated depreciation	(942)	(76,036)	(19,146)	(18,016)	(4,357)	–	(2,809)	–	(121,306)
Net book amount	1,332	164,155	40,426	12,120	4,226	–	5,193	19,882	247,334
Year ended 31 December 2021									
Opening net book amount	1,332	164,155	40,426	12,120	4,226	–	5,193	19,882	247,334
Additions	–	56,529	7,124	7,733	1,229	15,707	–	12,797	101,119
Transfers	–	–	–	–	–	–	108	(108)	–
Disposals	–	–	(5)	(214)	(5)	–	–	–	(224)
Depreciation	(114)	(27,527)	(4,193)	(6,333)	(1,319)	–	(716)	–	(40,202)
Closing net book amount	1,218	193,157	43,352	13,306	4,131	15,707	4,585	32,571	308,027

	Buildings	Leasehold Improvements	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicles	CIP	Mature fruit trees	Immature fruit trees	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021									
Cost	2,274	296,720	66,691	37,655	9,807	15,707	8,110	32,571	469,535
Accumulated depreciation	(1,056)	(103,563)	(23,339)	(24,349)	(5,676)	–	(3,525)	–	(161,508)
Net book amount	1,218	193,157	43,352	13,306	4,131	15,707	4,585	32,571	308,027
At 1 January 2021									
Cost	2,274	240,191	59,572	30,136	8,583	–	8,002	19,882	368,640
Accumulated depreciation	(942)	(76,036)	(19,146)	(18,016)	(4,357)	–	(2,809)	–	(121,306)
Net book amount	1,332	164,155	40,426	12,120	4,226	–	5,193	19,882	247,334
Six months ended 30 June 2021 (Unaudited)									
Opening net book amount	1,332	164,155	40,426	12,120	4,226	–	5,193	19,882	247,334
Additions	–	26,367	4,618	2,725	627	9,156	–	5,501	48,994
Transfers	–	–	–	–	–	–	–	–	–
Disposals	–	–	(4)	(214)	(5)	–	–	–	(223)
Depreciation	(57)	(11,869)	(1,804)	(2,718)	(687)	–	(358)	–	(17,493)
Closing net book amount	1,275	178,653	43,236	11,913	4,161	9,156	4,835	25,383	278,612
At 30 June 2021 (Unaudited)									
Cost	2,274	266,558	64,159	32,066	9,183	9,156	8,002	25,383	416,781
Accumulated depreciation	(999)	(87,905)	(20,923)	(20,153)	(5,022)	–	(3,167)	–	(138,169)
Net book amount	1,275	178,653	43,236	11,913	4,161	9,156	4,835	25,383	278,612
At 1 January 2022									
Cost	2,274	296,720	66,691	37,655	9,807	15,707	8,110	32,571	469,535
Accumulated depreciation	(1,056)	(103,563)	(23,339)	(24,349)	(5,676)	–	(3,525)	–	(161,508)
Net book amount	1,218	193,157	43,352	13,306	4,131	15,707	4,585	32,571	308,027
Six months ended 30 June 2022									
Opening net book amount	1,218	193,157	43,352	13,306	4,131	15,707	4,585	32,571	308,027
Additions	–	14,841	1,383	2,505	2,545	18,621	743	2,974	43,612
Transfers	–	–	–	–	–	–	–	–	–
Disposals	–	(210)	(1)	(24)	–	–	(683)	–	(918)
Depreciation	(54)	(13,509)	(2,141)	(2,443)	(763)	–	(552)	–	(19,462)
Closing net book amount	1,164	194,279	42,593	13,344	5,913	34,328	4,093	35,545	331,259
At 30 June 2022									
Cost	2,274	311,330	68,065	40,020	12,352	34,328	8,007	35,545	511,921
Accumulated depreciation	(1,110)	(117,051)	(25,472)	(26,676)	(6,439)	–	(3,914)	–	(180,662)
Net book amount	1,164	194,279	42,593	13,344	5,913	34,328	4,093	35,545	331,259

Depreciation expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of sales	18,223	21,063	19,356	8,512	9,950
Research and development	1,075	2,488	2,389	1,214	938
Selling expenses	3,565	2,557	6,163	2,265	2,476
Administrative expenses	7,332	7,758	12,294	5,502	6,098
	30,195	33,866	40,202	17,493	19,462

The Group's buildings of RMB1,446,000 and RMB1,332,000 were pledged as collateral for the Group's bank borrowings as at 31 December 2019 and 2020 respectively (Note 28).

The Company

	Leasehold improvements	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019					
Cost	7,847	12	8,889	836	17,584
Accumulated depreciation	(2,219)	(1)	(5,085)	(244)	(7,549)
Net book amount	5,628	11	3,804	592	10,035
Year ended 31 December 2019					
Opening net book amount	5,628	11	3,804	592	10,035
Additions	11,718	5,067	3,880	–	20,665
Disposals	–	–	(359)	(2)	(361)
Depreciation	(1,903)	(147)	(2,296)	(209)	(4,555)
Closing net book amount	15,443	4,931	5,029	381	25,784
At 31 December 2019					
Cost	19,565	5,079	10,658	834	36,136
Accumulated depreciation	(4,122)	(148)	(5,629)	(453)	(10,352)
Net book amount	15,443	4,931	5,029	381	25,784
Year ended 31 December 2020					
Opening net book amount	15,443	4,931	5,029	381	25,784
Additions	2,379	1,159	2,615	–	6,153
Disposals	–	–	(25)	–	(25)
Depreciation	(2,950)	(596)	(2,862)	(208)	(6,616)
Closing net book amount	14,872	5,494	4,757	173	25,296

	Leasehold improvements	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Cost	21,944	6,238	13,209	834	42,225
Accumulated depreciation	(7,072)	(744)	(8,452)	(661)	(16,929)
Net book amount	14,872	5,494	4,757	173	25,296

	Leasehold improvements	Plant and machinery	Furniture, fixtures and computer equipment	Motor vehicle	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Opening net book amount	14,872	5,494	4,757	173	25,296
Additions	5,037	–	4,312	–	9,349
Disposals	–	–	(16)	–	(16)
Depreciation	(2,786)	(635)	(2,857)	(173)	(6,451)
Closing net book amount	17,123	4,859	6,196	–	28,178
At 31 December 2021					
Cost	26,981	6,238	17,216	834	51,269
Accumulated depreciation	(9,858)	(1,379)	(11,020)	(834)	(23,091)
Net book amount	17,123	4,859	6,196	–	28,178
Six months ended 30 June 2021 (Unaudited)					
Opening net book amount	14,872	5,494	4,757	173	25,296
Additions	4,953	–	2,069	–	7,022
Disposals	–	–	(41)	–	(41)
Depreciation	(1,407)	(22)	(1,398)	(87)	(2,914)
Closing net book amount	18,418	5,472	5,387	86	29,363
At 30 June 2021 (Unaudited)					
Cost	26,897	6,238	15,043	834	49,012
Accumulated depreciation	(8,479)	(766)	(9,656)	(748)	(19,649)
Net book amount	18,418	5,472	5,387	86	29,363
Six months ended 30 June 2022					
Opening net book amount	17,123	4,859	6,196	–	28,178
Additions	3,348	73	715	–	4,136
Disposals	(210)	–	(8)	–	(218)
Depreciation	(1,392)	(341)	(1,214)	–	(2,947)
Closing net book amount	18,869	4,591	5,689	–	29,149
At 30 June 2022					
Cost	30,097	6,311	17,873	834	55,115
Accumulated depreciation	(11,228)	(1,720)	(12,184)	(834)	(25,966)
Net book amount	18,869	4,591	5,689	–	29,149

16 Leases

(a) *Amounts recognised in the consolidated statements of financial position*

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Land use rights in the PRC	25,534	24,404	74,518	73,015
Leased premises	266,668	270,523	535,102	502,049
	292,202	294,927	609,620	575,064
Lease liabilities				
Current	30,986	30,710	52,051	51,371
Non-current	249,112	260,991	518,937	492,764
	280,098	291,701	570,988	544,135

Additions to the right-of-use assets, including through the acquisition of a subsidiary (Note 36.1(a)), for the Group during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 were RMB162,243,000, RMB59,837,000, RMB382,577,000 RMB311,892,000 and RMB7,588,000.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's right-of-use assets of RMB1,546,000, RMB1,502,000, RMB1,458,000 and RMB1,436,000 were pledged as collateral for the Group's bank borrowings. As at 30 June 2022, right-of-use assets of RMB50,367,000 was pledged for an unutilised facility amounting to RMB320,000,000 (Note 28).

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets				
Leased premises	29,111	21,922	23,311	13,644
Lease liabilities				
Current	6,668	7,329	9,510	5,074
Non-current	23,322	16,223	15,529	9,242
	29,990	23,552	25,039	14,316

(b) Amounts recognised in the consolidated statements of profit of loss

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Depreciation charges of right-of-use assets					
Land use rights in the PRC	1,150	1,129	3,060	524	1,411
Leased premises	40,442	43,415	60,254	26,794	32,826
	41,592	44,544	63,314	27,318	34,237
Interest expense (included in finance costs)	15,613	16,043	30,242	13,107	16,438
Expense relating to short-term leases (included in cost of sales, selling expenses and administrative expenses)	21,462	31,520	34,480	18,278	20,886

The total cash outflow for leases for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 were RMB63,470,000, RMB83,557,000, RMB110,481,000, RMB51,466,000 and RMB62,534,000 respectively.

(c) The Group's leasing activities and how these are accounted for

A property lease contains variable lease payment term that is linked to index. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease payments change due to changes in the index following a market rent review, in which the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group leases various offices, warehouses. The Group recognised right-of-use assets for rental contracts with fixed periods ranging from above 1 year to 20 years and without extension options. For the remaining rental contracts with fixed periods equal to or less than a year and without extension options, the Group account those rental contracts as short-term leases.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

17 Investment property

The Group

	RMB'000
At 1 January 2019	–
Additions	2,753
At 31 December 2019 and 1 January 2020	2,753
Fair value change	(131)
At 31 December 2020	2,622
Fair value change	(4)
At 31 December 2021	2,618
Fair value change	(44)
30 June 2022	2,574
At 31 December 2020 and 1 January 2021	2,622
Fair value change (Unaudited)	(6)
At 30 June 2021 (Unaudited)	2,616

(a) Amounts recognised in profit or loss for investment property

	Years ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Rental income from lease	–	140	147	74	77

(b) Leasing arrangements

The investment property is leased to a tenant with rental payable monthly. For minimum lease payments receivable on lease of investment property, refer to Note 35.

18 Intangible assets

The Group

	Goodwill	Trademark	Software	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019					
Cost	38,832	569	21,073	–	60,474
Accumulated amortisation	–	(62)	(2,511)	–	(2,573)
Net book amount	38,832	507	18,562	–	57,901
Year ended 31 December 2019					
Opening net book amount	38,832	507	18,562	–	57,901
Additions	–	–	25,937	–	25,937
Acquisition of a subsidiary (Note 36.1(a))	130,946	29	1	39,514	170,490
Amortisation	–	(83)	(2,969)	(4,939)	(7,991)
Closing net book amount	169,778	453	41,531	34,575	246,337
At 31 December 2019					
Cost	169,778	598	47,011	39,514	256,901
Accumulated amortisation	–	(145)	(5,480)	(4,939)	(10,564)
Net book amount	169,778	453	41,531	34,575	246,337
Year ended 31 December 2020					
Opening net book amount	169,778	453	41,531	34,575	246,337
Additions	–	–	16,871	–	16,871
Step acquisition of subsidiaries (Note 36.1(b))	678	1,520	–	–	2,198
Amortisation	–	(60)	(6,798)	(6,586)	(13,444)
Closing net book amount	170,456	1,913	51,604	27,989	251,962

	Goodwill	Trademark	Software	Customer relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Cost	170,456	2,118	63,882	39,514	275,970
Accumulated amortisation	–	(205)	(12,278)	(11,525)	(24,008)
Net book amount	170,456	1,913	51,604	27,989	251,962
Year ended 31 December 2021					
Opening net book amount	170,456	1,913	51,604	27,989	251,962
Additions	–	–	10,069	–	10,069
Amortisation	–	(130)	(7,586)	(6,586)	(14,302)
Closing net book amount	170,456	1,783	54,087	21,403	247,729
At 31 December 2021					
Cost	170,456	2,118	73,951	39,514	286,039
Accumulated amortisation	–	(335)	(19,864)	(18,111)	(38,310)
Net book amount	170,456	1,783	54,087	21,403	247,729
Six months ended 30 June 2022					
Opening net book amount	170,456	1,783	54,087	21,403	247,729
Additions	–	–	1,391	–	1,391
Amortisation	–	(63)	(4,364)	(3,293)	(7,720)
Closing net book amount	170,456	1,720	51,114	18,110	241,400
At 30 June 2022					
Cost	170,456	2,118	75,342	39,514	287,430
Accumulated amortisation	–	(398)	(24,228)	(21,404)	(46,030)
Net book amount	170,456	1,720	51,114	18,110	241,400
At 1 January 2021					
Cost	170,456	2,118	63,882	39,514	275,970
Accumulated amortisation	–	(205)	(12,278)	(11,525)	(24,008)
Net book amount	170,456	1,913	51,604	27,989	251,962
Six months ended 30 June 2021 (Unaudited)					
Opening net book amount	170,456	1,913	51,604	27,989	251,962
Additions	–	–	759	–	759
Amortisation	–	(28)	(3,513)	(3,292)	(6,833)
Closing net book amount	170,456	1,885	48,850	24,697	245,888
At 30 June 2021 (Unaudited)					
Cost	170,456	2,118	64,641	39,514	276,729
Accumulated amortisation	–	(233)	(15,791)	(14,817)	(30,841)
Net book amount	170,456	1,885	48,850	24,697	245,888

The Company

	Trademark	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2019			
Cost	569	4,969	5,538
Accumulated amortisation	(62)	(1,458)	(1,520)
Net book amount	507	3,511	4,018
Year ended 31 December 2019			
Opening net book amount	507	3,511	4,018
Additions	–	36,592	36,592
Amortisation	(57)	(2,298)	(2,355)
Closing net book amount	450	37,805	38,255
At 31 December 2019			
Cost	569	41,561	42,130
Accumulated amortisation	(119)	(3,756)	(3,875)
Net book amount	450	37,805	38,255
Year ended 31 December 2020			
Opening net book amount	450	37,805	38,255
Additions	–	43,994	43,994
Amortisation	(57)	(7,921)	(7,978)
Closing net book amount	393	73,878	74,271
At 31 December 2020			
Cost	569	85,555	86,124
Accumulated amortisation	(176)	(11,677)	(11,853)
Net book amount	393	73,878	74,271
Year ended 31 December 2021			
Opening net book amount	393	73,878	74,271
Additions	–	13,985	13,985
Amortisation	(56)	(10,270)	(10,326)
Closing net book amount	337	77,593	77,930
At 31 December 2021			
Cost	569	99,540	100,109
Accumulated amortisation	(232)	(21,947)	(22,179)
Net book amount	337	77,593	77,930
Six months ended 30 June 2022			
Opening net book amount	337	77,593	77,930
Additions	–	1,391	1,391
Amortisation	(28)	(5,169)	(5,197)
Closing net book amount	309	73,815	74,124
At 30 June 2022			
Cost	569	100,931	101,500
Accumulated amortisation	(260)	(27,116)	(27,376)
Net book amount	309	73,815	74,124

	Trademark	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2021 (Unaudited)			
Opening net book amount	393	73,878	74,271
Additions	–	759	759
Amortisation	(28)	(4,393)	(4,421)
Closing net book amount	365	70,244	70,609
At 30 June 2021 (Unaudited)			
Cost	569	86,314	86,883
Accumulated amortisation	(204)	(16,070)	(16,274)
Net book amount	365	70,244	70,609

Notes:

(a) Software includes daily operation systems purchased from external parties and capitalised development costs incurred by the Group's internal research and development team. The internal generated software is an integrated Enterprise Resources Planning system ("ERP") which is used by the Group.

(b) The customer relationship was acquired as part of a business combination (see Note 36.1(a) for details). It is recognised at fair value at the date of acquisition and is subsequently amortised by straight-line method over its estimated useful life.

(c) Goodwill is related to the acquisitions in 2018, 2019 and 2020, namely on Shenzhen Yimiaotong (principally engaged in provision of supply chain financing in the PRC), Haiyang Jinchengtai (principally engaged in sales and processing of fruits in the PRC) and Youguolian Brand and Younongdao Beijing (principally engaged in investment in agriculture related businesses). The goodwill is attributable to Shenzhen Yimiaotong's exclusivity in its principal business and Haiyang Jinchengtai's strong position and profitability in sales and processing of fruits in the PRC and overseas. None of the goodwill is expected to be deductible for tax purposes.

Amortisation expenses have been charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cost of sales	369	290	305	140	157
Selling expenses	5,467	9,747	9,719	4,610	5,317
Administrative expenses	2,155	3,407	4,278	2,083	2,246
	7,991	13,444	14,302	6,833	7,720

Impairment tests for goodwill

Goodwill of RMB38,832,000, and RMB130,946,000 and RMB678,000 was recognised in relation to the business combinations of Shenzhen Yimiaotong, Haiyang Jinchengtai and Youguolian Brand and Younongdao Beijing (see Note 36 for details) respectively. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. It is allocated to the Group's cash generating unit ("CGU") identified, which is the operating subsidiaries, namely were Shenzhen Yimiaotong, Haiyang Jinchengtai, Youguolian Brand and Younongdao Beijing respectively. The goodwill relating to Shenzhen Yimiaotong, Youguolian Brand and Younongdao Beijing belong to the Others segment; whereas the goodwill relating to Haiyang Jinchengtai belongs to the Trading segment.

The Group completed its impairment test for goodwill allocated to the CGU by comparing its recoverable amounts to its carrying amounts as at the end of reporting period. Goodwill impairment reviews have been performed at the level of CGU. The recoverable amount is determined based on value-in-use calculations.

Recoverable amount of the CGU is determined as higher of fair value less cost of disposal ("FVLCOD") and value-in-use ("VIU") of the underlying assets.

The VIU was determined by applying discounted cash flow model on pre-tax cash flow projections based on 5-year financial budgets approved by management. The discount rate used is pre-tax and reflects specific risks related to the relevant operation. The volume of revenue in each period is the main driver for revenue and costs. The growth in revenue and the relevant costs are estimated based on past performance and management's expectations for the market development.

The long-term growth rate is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

The key assumptions used for VIU calculations for the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2022 are as follows:

Shenzhen Yimiaotong

	Year ended 31 December			Six months ended 30 June
	2019	**2020**	**2021**	**2022**
Period of financial budgets	5-year	5-year	5-year	5-year
Average annual growth rate	33.2%	12.0%	9.4%	5.0%
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Average profit margin	32.8%	32.8%	32.8%	32.8%
Pre-tax discount rate	21.6%	21.6%	21.6%	21.6%

Long-term growth rate is based on forecasts included in industry reports which is consistent across the Track Record Period. Average profit margin is determined based on the past performance and management's expectations for the future which is consistent across the Track Record Period. Pre-tax discount rate is consistent as there has been no significant change in capital structure or specific risks of Shenzhen Yimiaotong throughout the Track Record Period.

The VIU of Shenzhen Yimiaotong is estimated to exceed the carrying amount by RMB15,822,000, RMB14,761,000, RMB15,537,000 and RMB20,010,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively. No impairment loss was recognised accordingly.

The directors and management have considered and assessed reasonably possible changes for the above assumptions and have not identified any instances that could cause the carrying amount of Shenzhen Yimiaotong to exceed its VIU.

Haiyang Jinchengtai

	As at 31 December		As at 30 June
	2020	**2021**	**2022**
Period of financial budgets	5-year	5-year	5-year
Average annual growth rate	8.2%	7.8%	7.1%
Long-term growth rate	3.0%	3.0%	3.0%
Average gross margin	19.38%	19.38%	19.38%
Pre-tax discount rate	12.15%	12.15%	12.15%

Long-term growth rate is based on forecasts included in industry reports which is consistent across the Track Record Period. Average profit margin is determined based on the past performance and management's expectations for the future which is consistent across the Track Record Period. Pre-tax discount rate is consistent as there has been no significant change in capital structure or specific risks of Haiyang Jinchengtai throughout the Track Record Period.

The VIU of Haiyang Jinchengtai is estimated to exceed the carrying amount by RMB14,823,000, RMB17,583,000 and RMB22,234,000 as at 31 December 2020 and 2021 and 30 June 2022, respectively. No impairment was recognised accordingly.

The VIU of Haiyang Jinchengtai would equal its carrying amount if the key assumptions were to change as follows:

	As at 31 December				As at 30 June	
	2020		2021		2022	
	From	To	From	To	From	To
Average annual growth rate	8.20%	6.20%	7.80%	5.74%	7.10%	4.50%
Long-term growth rate	3.00%	2.70%	3.00%	2.30%	3.00%	2.03%
Average gross margin	19.38%	18.88%	19.38%	18.68%	19.38%	18.78%
Pre-tax discount rate	12.15%	12.55%	12.15%	12.55%	12.15%	12.80%

The directors of the Company performed sensitivity analysis based on the assumptions that average annual growth rate or long-term growth rate or average gross margin or pre-tax discount rate have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would decrease as follows:

	As at 31 December		As at 30 June
Reasonably possible changes in key assumption	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Average annual growth rate decreases by 1%	10,831	9,458	9,570
Long-term growth rate decreases by 1%	25,811	25,946	22,748
Average gross margin decreases by 1%	32,237	32,469	34,774
Pre-tax discount rate increases by 1%	34,673	34,880	32,602

19 Financial instruments by category

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at amortised cost				
– Trade receivables	1,443,731	1,290,874	1,156,227	1,083,098
– Deposits and other receivables	376,722	442,072	473,568	421,485
– Loans to associates	33,949	29,867	12,608	18,136
– Amounts due from associates	18,839	–	15	988
– Long-term restricted bank deposits	–	51,009	1,009	1,009
– Short-term restricted bank deposits	176,979	224,386	272,690	267,314
– Long-term bank deposits	–	250,000	100,000	30,000
– Short-term bank deposits	–	200,100	250,000	80,000
– Cash and cash equivalents	317,248	454,636	564,666	1,897,504
Financial assets at FVOCI	76,349	65,362	10,864	20,434
Financial assets at FVTPL	845,538	489,910	1,122,281	311,267
	3,289,355	3,498,216	3,963,928	4,131,235

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liabilities				
Liabilities at amortised cost				
– Trade payables	378,835	304,932	345,196	500,553
– Other payables	716,519	908,248	984,182	1,030,658
– Amounts due to associates	18,495	17,890	15,882	4,194
– Bank borrowings	620,785	929,069	1,452,511	1,305,594
– Lease liabilities	280,098	291,701	570,988	544,135
	2,014,732	2,451,840	3,368,759	3,385,134

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Financial assets at amortised cost				
– Trade receivables	13,692	18,638	27,466	22,801
– Deposits and other receivables	226,982	168,304	224,627	229,613
– Amounts due from subsidiaries	1,951,409	2,772,774	3,424,443	3,919,633
– Long-term restricted bank deposits	–	50,000	–	–
– Short-term restricted bank deposits	165,970	211,486	258,788	252,282
– Long-term bank deposits	–	250,000	100,000	30,000
– Short-term bank deposits	–	200,100	250,000	80,000
– Cash and cash equivalents	151,801	261,942	278,367	1,154,141
Financial assets at FVTPL	765,822	402,744	1,039,995	229,954
	3,275,676	4,335,988	5,603,686	5,918,424
Liabilities				
Financial liabilities at amortised cost				
– Trade payables	5,143	7,637	15,387	14,248
– Other payables	678,035	874,305	935,186	975,930
– Amounts due to subsidiaries	137,379	992,638	2,338,038	2,911,701
– Bank borrowings	370,457	618,879	913,878	869,393
– Lease liabilities	29,990	23,552	25,039	14,316
	1,221,004	2,517,011	4,227,528	4,785,588

20 Investments

(a) *Interests in subsidiaries*

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	193,259	193,259	224,259	225,259
Less: impairment	(2,500)	(2,500)	(2,500)	(2,500)
	190,759	190,759	221,759	222,759

For further details of interests in subsidiaries, please refer to Note 1.1.

(b) *Interests in associates*

The Group

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
At beginning of the year/period	77,419	104,243	208,400	208,400	278,895
Additions	34,444	67,213	55,647	41,227	2,961
Transfer from financial assets at FVOCI upon obtaining significant influence (Note 21)	–	29,789	8,063	2,957	–
Addition upon step acquisition (Note 36.1(b))	–	64,468	–	–	–
Transfer to subsidiaries upon step acquisition (Note 1.1(e) and (g))	–	(18,356)	–	–	–
Disposal (Note 20 c (vi) and (xxv))	–	(1,209)	(2,312)	–	–
Share of (losses)/profit, net	(8,336)	(11,394)	9,097	2,099	4,433
Impairment (Note c (ii))	–	(26,354)	–	–	–
Dilution gain (Note c (viii))	632	–	–	–	–
Share of other comprehensive income	84	–	–	–	–
At end of the year/period	104,243	208,400	278,895	254,683	286,289

During the years ended 31 December 2020 and 2021, and the six months ended 30 June 2021 and 2022, unrecognised share of losses of associates amounted to RMB837,000, RMB425,000, RMB214,000, and RMB210,000 respectively. As at 31 December 2020 and 2021, and 30 June 2022, cumulative unrecognised share of losses of associates amounted to RMB837,000, RMB1,262,000, and RMB1,472,000 respectively.

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	8,900	8,900	33,400	33,400
Less: impairment	–	–	–	–
	8,900	8,900	33,400	33,400

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	3,900	8,900	8,900	33,400
Additions	5,000	–	24,500	–
At end of the year/period	8,900	8,900	33,400	33,400

(c) Nature of interests in associates

Name of entity*	Principal place of business	% of ownership 31 December 2019	31 December 2020	31 December 2021	30 June 2022	Nature of relationship	Measurement method
Directly held:							
Shanghai Niuguo Agricultural Technology Co., Ltd. ("Shanghai Niuguo") (上海牛果農業科技有限公司)	PRC	33%	33%	33%	33%	Note i	Equity method
Guoying Zhifu Investment Limited Partnership ("Guoying Zhifu") (果盈致富產業私募基金(有限合夥))	PRC	N/A	N/A	57%	57%	Note xi	Equity method
Indirectly held:							
Younongdao (Beijing) Technology Co., Ltd. ("Younongdao Beijing") (優農道(北京)科技有限公司)	PRC	46%	N/A	N/A	N/A	Note ii	Equity method
Hebei Huiwenyongji Fruit Industry Co., Ltd ("Hebei Huiwenyongji") (河北惠文永記果業有限公司)	PRC	40%	40%	40%	40%	Note iii	Equity method
Shangyin Zhonghe Hengtai Investment (Shenzhen) Limited Partnership ("Shangyin Zhonghe Hengtai") (上銀眾合亨泰投資(深圳)合夥企業(有限合夥))	PRC	52%	52%	52%	52%	Note iv	Equity method
Youguolian Brand Management Co., Ltd. ("Youguolian Brand") (優果聯品牌管理有限公司)	PRC	30%	N/A	N/A	N/A	Note v	Equity method

Name of entity*	Principal place of business	% of ownership 31 December 2019	31 December 2020	31 December 2021	30 June 2022	Nature of relationship	Measurement method
Dongguan Baiguo Biological Technology Co., Ltd ("Dongguan Baiguo") (東莞百果生物技術有限公司)	PRC	30%	0%	0%	0%	Note vi	Equity method
Hainan Shengjie Agricultural Development Co., Ltd. ("Hainan Shengjie") (海南勝傑農業發展有限公司)	PRC	30%	30%	30%	30%	Note vii	Equity method
Guangxi Huiyun Information Technology Co., Ltd ("Guangxi Huiyun") (廣西慧雲資訊技術有限公司)	PRC	13%	13%	13%	13%	Note viii	Equity method
Hainan Xinfu Ecological Fruit Co., Ltd ("Hainan Xinfu") (海南信福生態果業有限公司)	PRC	15%	17%	17%	17%	Note ix	Equity method
Shenzhen Banguo Technology Co., Ltd ("Banguo Technology") (深圳般果科技有限公司)	PRC	N/A	31%	31%	31%	Note x	Equity method
Henan Zhanxin Pagoda Industry Fund (Limited Partnership) ("Henan Zhanxin") (河南戰新百果園產業基金(有限合夥))	PRC	N/A	60%	60%	60%	Note xii	Equity method
Lijiang Quanji Youmei Planting Co., Ltd ("Quanji Youmei") (麗江全季優莓種植有限公司)	PRC	N/A	44%	44%	44%	Note xiii	Equity method
Shandong Liangzhi Agrosciences Company Limited ("Shandong Liangzhi") (山東良枝農業科技有限公司)	PRC	N/A	35%	35%	35%	Note xiv	Equity method
Guangdong Jinjin Fruit Industry Co., Ltd. ("Guangdong Jinjin Fruit") (廣東金津果業有限公司)	PRC	N/A	34%	34%	34%	Note xv	Equity method
Yunnan Fuzhikou Agricultural Science and Technology Co., Ltd. ("Yunnan Fuzhikou") (雲南福之口農業科技有限公司)	PRC	N/A	N/A	45%	45%	Note xvi	Equity method
Guangxi Zhencheng Agriculture Co., Ltd. ("Guangxi Zhencheng") (廣西真誠農業有限公司)	PRC	N/A	14%	14%	14%	Note xvii	Equity method
Beijing Kedao Brand Management Center (Limited Partnership) ("Beijing Kedao") (北京棵道品牌管理中心(有限合夥))	PRC	N/A	N/A	49%	49%	Note xviii	Equity method
Shandong Guodu Modern Agriculture Co., Ltd. ("Shandong Guodu") (山東果都現代農業有限公司)	PRC	N/A	5%	5%	5%	Note xix	Equity method

Name of entity*	Principal place of business	% of ownership 31 December 2019	31 December 2020	31 December 2021	30 June 2022	Nature of relationship	Measurement method
Chongqing Chunken Agricultural Development Co., Ltd. ("Chongqing Chunken") (重慶春墾農業開發有限公司)	PRC	N/A	7%	7%	7%	Note xx	Equity method
Liaoning Half Acre Ecological Agriculture Ltd. ("Liaoning Half Acre") (遼寧半畝田生態農業有限公司)	PRC	N/A	30%	30%	30%	Note xxi	Equity method
Xiamen Weiyu Ecological Agriculture Co., Ltd. ("Xiamen Weiyu") (廈門微玉生態農業有限公司)	PRC	N/A	34%	34%	34%	Note xxii	Equity method
Guangxi Zhiguo Technology Co., Ltd. ("Guangxi Zhiguo") (廣西智果科技有限公司)	PRC	N/A	28%	28%	28%	Note xxiii	Equity method
Hunan Jiahui Guolv Agricultural Technology Co., Ltd. ("Hunan Jiahui") (湖南佳惠果果綠農業科技有限公司)	PRC	N/A	38%	38%	38%	Note xxiv	Equity method
Changsha Lvye Agricultural Technology Co., Ltd. ("Changsha Lvye") (長沙縣綠葉農業科技有限公司)	PRC	N/A	35%	–	–	Note xxv	Equity method
Kunming Yunling Technology Co., Ltd ("Kunming Yunling") (昆明雲嶺科技有限責任公司)	PRC	N/A	N/A	N/A	40%	Note xxvi	Equity method

* The English names of PRC companies refer to above in this note represents management best effort in translating the Chinese names of those companies as no English name has been registered or available.

Notes: The associates held by the Group have capital consisting solely of ordinary capital. All of the associates are private companies with no quoted market price available for its shares.

(i) Shanghai Niuguo is a limited liability company engaged in ripening and sales of fruits. Shanghai Niuguo is accounted for as an associate following the capital injection of RMB3,900,000 and the Group obtained the significant influence on 1 June 2017 upon its establishment. On 23 February 2022, the Group and the other shareholders has each further injected cash of RMB1,000,000 into Shanghai Niuguo. Upon completion of the transaction, there is no change in respective attributable interest.

(ii) Younongdao Beijing is a limited liability company engaged in development of biological farming technologies. Younongdao Beijing is accounted for as an associate following the acquisition at a consideration of RMB26,000,000 and the Group obtained the significant influence on 29 November 2018.

Following the step acquisition of Youguolian Brand on 10 December 2020, the Group owns 68% equity interest in Younongdao Beijing indirectly and obtained control. As a result, the Group consolidated Younongdao Beijing in the Group's consolidated financial statements since 10 December 2020.

Immediately before the commencement of consolidation of Younongdao Beijing on 10 December 2020, after considering the financial performance of Younongdao Beijing and obtaining an independent valuation report, management considered that there is an impairment indicator exists. As a result, the investment in Younongdao Beijing is impaired and recorded an impairment loss of RMB26,354,000.

(iii) Hebei Huiwenyongji is a limited liability company engaged in cultivating and trading of fruit. Hebei Huiwenyongji is accounted for as an associate following the capital injection at a consideration of RMB12,000,000 and the Group obtained the significant influence on 28 March 2018 upon its establishment.

(iv) Shangyin Zhonghe Hengtai is a limited partnership engaged in investment consultancy service. Shangyin Zhonghe Hengtai is accounted for as an associate following the capital injection of RMB15,000,000 and obtained the significant influence on 30 November 2018.

Through the partnership agreement, the Group is only guaranteed one out of four seats on the board of Shangyin Zhonghe Hengtai to participate in all significant financial and operating decisions. The Group also does not have right to remove or appoint a general partner or a fund manager. As a result, the Group has therefore determined that it only has significant influence over Shangyin Zhonghe Hengtai, even though it holds 52% equity interest of Shangyin Zhonghe Hengtai.

(v) Youguolian Brand is a limited liability company engaged in provision of one-step solution services for farming technologies, commercialisation and brand marketing. Youguolian Brand is accounted for as an associate following the acquisition at a consideration of RMB15,000,000 and the Group obtained the significant influence on 9 March 2017. On 10 December 2020, Pagoda Investment further injected cash of RMB60,000,000 and effectively obtained an additional 26% equity interest of Youguolian Brand and obtained control. As a result, the Group consolidated Youguolian Brand in the Group's consolidated financial statements since 10 December 2020 (Note 36.1(b)).

(vi) Dongguan Baiguo is a limited liability company engaged in manufacturing and trading of dry fruit. Dongguan Baiguo is accounted for as an associate following the capital injection of RMB1,500,000 and the Group obtained the significant influence on 15 April 2019. The Group disposed of its 30% equity interest on 26 November 2020 with carrying amount of RMB1,209,000 at a consideration of RMB966,000 to an independent third party. A resulting loss on such disposal, amounting to RMB243,000 is recorded in other gains, net.

(vii) Hainan Shengjie is a limited liability company engaged in the business of growing melons in the PRC. Hainan Shengjie is accounted for as an associate following the acquisition and capital injection of RMB11,068,000 and the Group obtained the significant influence on 11 October 2019.

(viii) Guangxi Huiyun is a limited liability company engaged in the provision of information technology service. Guangxi Huiyun is accounted for as an associate following the acquisition and capital injection of RMB222,000 and RMB577,000, respectively. Through the shareholder agreement, the Group is guaranteed one out of five seats on the board of Guangxi Huiyun and participates in all significant financial and operating decision. The Group has therefore determined that it has significant influence over Guangxi Huiyun on 29 May 2018, even though it only holds 13% of the voting rights.

(ix) Hainan Xinfu is a limited liability company engaged in the trading of fruits. Hainan Xinfu is accounted for as an associate following the capital injection of RMB16,875,000. Through the shareholder agreement, the Group is guaranteed one out of five seats on the board of Hainan Xinfu and participates in all significant financial and operating decision. The Group has therefore determined that it has significant influence over Hainan Xinfu on 30 August 2019 upon its establishment, even though it only holds 15% of the voting rights.

The Group further acquired 2% equity interest at a nominal consideration of RMB1 on 20 October 2020.

(x) Banguo Technology is a limited liability company engaged in development of information technology and providing related consultation service. Banguo Technology is accounted for as an associate following the capital injection of RMB6,379,000 and the Group obtaining its significant influence on 30 October 2020 upon its establishment.

(xi) Guoying Zhifu Investment Limited Partnership is a limited partnership engaged in investment consultancy service. Guoying Zhifu is accounted for as an associate following the capital injection of RMB24,500,000.

Through the partnership agreement, the Group is only guaranteed one out of seven seats on the board of Guoying Zhifu to participate in all significant financial and operating decisions and does not have right to remove or appoint a general partner or a fund manager. As a result, the Group has therefore determined that it only has significant influence over Guoying Zhifu, even though it only holds 57% equity interest of Guoying Zhifu. The Group obtained the significant influence on 18 November 2021 upon its establishment.

(xii) Henan Zhanxin is a limited partnership engaged in non-securities equity investment activities and providing related consultancy service. Henan Zhanxin is accounted for as an associate following the capital injection of RMB33,471,000 and obtaining its significant influence on 10 December 2020 upon its establishment.

Through the partnership agreement, the Group is only guaranteed one out of nine seats on the board of Henan Zhanxin to participate in all significant financial and operating decisions. The Group also does not have right to remove or appoint a general partner or a fund manager. As a result, the Group has therefore determined that it only has significant influence over Henan Zhanxin, even though it holds 60% equity interest of Henan Zhanxin.

(xiii) Quanji Youmei is a limited liability company engaged in growing business of fruits and vegetables. Quanji Youmei is accounted for as an associate following the capital injection of RMB5,460,000 and the Group obtaining its significant influence on 9 June 2020 upon its establishment. On 5 January 2022, the Group and the other shareholders has each further injected cash of RMB1,760,000 into Quanji Youmei. Upon completion of the transaction, there is no change in respective attributable interest.

(xiv) Shandong Liangzhi is a limited liability company engaged in manufacturing and retail sales of agricultural products. Shandong Liangzhi was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Shandong Liangzhi becomes the Group's associate.

(xv) Guangdong Jinjin Fruit is a limited liability company engaged in growing business and retail sales of agricultural products. Guangdong Jinjin Fruit was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Guangdong Jinjin Fruit becomes the Group's associate.

(xvi) Yunnan Fuzhikou is a limited liability company engaged in ripening and sales of fruits. Yunnan Fuzhikou is accounted for as an associate following the capital injection of RMB4,500,000 and the Group obtaining its significant influence on 10 May 2021.

(xvii) Guangxi Zhencheng is a limited liability company engaged in manufacturing and retail sales of agricultural products. Guangxi Zhencheng was a financial asset at FVOCI of the Group and an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Guangxi Zhencheng becomes the Group's associate.

Through the shareholder agreement, the Group is guaranteed one out of five seats on the board of Guangxi Zhencheng and participates in all significant financial and operating decision. The Group has therefore determined that is has significant influence over Guangxi Zhencheng on 10 December 2020, even though it only holds 14% of the voting rights.

(xviii) Beijing Kedao is a limited partnership engaged in non-securities equity investment activities and providing related consultancy service. Beijing Kedao was a financial asset at FVOCI of the Group following the acquisition of RMB3,250,000 on 25 September 2019. On 28 January 2021, the Group further acquired 33% equity interest at cash consideration of RMB9,440,000 and the Group obtained the significant influence and Beijing Kedao becomes the Group's associate.

(xix) Shandong Guodu is a limited liability company engaged in growing business of fruits and vegetables. Shandong Guodu was a financial asset at FVOCI of the Group and an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Through the shareholder agreement, the Group is guaranteed one out of nine seats on the board of Shandong Guodu and participates in all significant financial and operating decision. The Group has therefore determined that it has significant influence over Shandong Guodu following the step acquisition on 10 December 2020, even though it only holds 5% of the voting rights.

(xx) Chongqing Chunken is a limited liability company engaged in ripening and sales of fruits. Chongqing Chunken was a financial asset at FVOCI of the Group and an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Through the shareholder agreement, the Group is guaranteed one out of three seats on the board of Chongqing Chunken and participates in all significant financial and operating decision. The Group has therefore determined that it has significant influence over Chongqing Chunken following the step acquisition on 10 December 2020, even though it only holds 7% of the voting rights.

(xxi) Liaoning Half Acre is a limited liability company engaged in ripening and sales of fruits and vegetables. Liaoning Half Acre was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Liaoning Half Acre becomes the Group's associate.

(xxii) Xiamen Weiyu is a limited liability engaged company in ripening and sales of fruits and vegetables. Xiamen Weiyu is accounted for as an associate following the capital injection of RMB1,030,300 and the Group obtaining its significant influence on 31 December 2020.

(xxiii) Guangxi Zhiguo is a limited liability company engaged in development of information technology and providing related consultation service. Guangxi Zhiguo was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Guangxi Zhiguo becomes the Group's associate.

(xxiv) Hunan Jiahui is a limited liability company engaged in ripening and sales of fruits. Hunan Jiahui was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Hunan Jiahui becomes the Group's associate.

(xxv) Changsha Lvye is a limited liability company engaged in ripening and sales of fruits and vegetables. Changsha Lvye was an associate of Youguolian Brand prior to the Group's step acquisition of Youguolian Brand on 10 December 2020. Following the step acquisition, Changsha Lvye becomes the Group's associate. The Group disposed of its 35% equity interest on 29 December 2021 with carrying amount of RMB2,312,000 at a consideration of RMB3,150,000 to an independent third party. A resulting gain on such disposal, amounting to RMB838,000 is recorded in other gains, net.

(xxvi) Kunming Yunling is a limited liability company engaged in information technology consulting services. Kunming Yunling is accounted for as an associate following the capital injection at a consideration of RMB200,000 and the Group obtained the significant influence on 15 February 2022 upon its establishment.

(d) Interests in joint ventures

The Group

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
At beginning of the year/period	7,720	7,895	50,556	50,556	45,556
Addition	–	3,170	–	–	–
Addition upon step acquisition (Note 36.1 (b))	–	37,860	–	–	–
Disposal (Note 20(e)(ii))	–	–	(2,760)	–	–
Share of profits, net	175	1,631	7,386	7,437	5,011
Dividend received	–	–	(9,626)	(5,914)	–
At end of the year/period	7,895	50,556	45,556	52,079	50,567

(e) Nature of interests in joint venture

Name of entity	Principal place of business	% of ownership 31 December 2019	31 December 2020	31 December 2021	30 June 2022	Nature of relationship	Measurement method
Nanjing Jinse Zhuangyuan Agricultural Products Co., Ltd ("Nanjing Jinse Zhuangyuan") (南京金色莊園農產品有限公司)	PRC	15%	39%	39%	39%	Note i, iii	Equity method
Shenzhen Aisien Pagoda Industry Co., Ltd ("Aisien") 深圳愛寺恩百果實業有限公司	PRC	–	35%	–	–	Note ii, iii	Equity method

Notes:

(i) Nanjing Jinse Zhuangyuan is a limited liability company engaged in trading of primary agriculture products and fruits. Nanjing Jinse Zhuangyuan was accounted for as a joint venture following the capital injection of RMB7,455,000 and the Group obtained its joint control on 19 June 2018. Following the step acquisition of Youguolian Brand, which held 24% equity interest of Nanjing Jinse Zhuangyuan, on 10 December 2020, the Group obtained 39% equity interest.

(ii) Aisien is a limited liability company engaged in trading of primary agriculture products and fruits. Aisien is accounted for as a joint venture following the capital injection of RMB3,170,000 and the Group obtaining its joint control on 3 March 2020. The Group disposed of its 35% equity interest on 3 September 2021 at a consideration of RMB2,760,000 to an independent third party. A resulting gain on such disposal, amounting to RMB410,000 is recorded in other gains, net.

(iii) Nanjing Jinse Zhuangyuan and Aisien are accounted for as joint ventures as while the Group cannot control these investees, the Group has veto rights in the decision making at the Board of Directors' meeting in directing the investees' relevant activities.

(f) Summarised financial information for the material associates and joint ventures

Set out below are the summarised financial information for Youguolian Brand, Younongdao Beijing, Shangyin Zhonghe Hengtai, Hainan Xinfu, Guangdong Jinjin Fruit, Baiguo Technology, Henan Zhanxin, Guoying Zhifu, Nanjing Jinse Zhuangyuan and Aisien which, in the opinion of the directors, are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the associate and joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments when using the equity method, including fair value adjustments and modifications for differences in accounting policies, as appropriate

Summarised statements of financial position

	Youguolian Brand				Younongdao Beijing				Shangyin Zhonghe Hengtai				Hainan Xinfu			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	4,838	N/A*	N/A*	N/A*	4,348	N/A*	N/A*	N/A*	484	478	472	472	3,889	1,658	1,011	2,553
Other current assets (excluding cash)	14,730	N/A*	N/A*	N/A*	15,686	N/A*	N/A*	N/A*	25,992	33,734	33,734	33,734	1,909	5,587	5,989	5,732
Total current assets	19,568	N/A*	N/A*	N/A*	20,034	N/A*	N/A*	N/A*	26,476	34,212	34,206	34,206	5,798	7,245	7,000	8,285
Non-current assets	46,975	N/A*	N/A*	N/A*	19	N/A*	N/A*	N/A*	–	–	–	–	107,655	148,205	131,814	126,044
Current liabilities																
Financial current liabilities	20,913	N/A*	N/A*	N/A*	16,200	N/A*	N/A*	N/A*	–	–	–	–	–	–	–	–
Other current liabilities	9,483	N/A*	N/A*	N/A*	108	N/A*	N/A*	N/A*	–	–	–	–	953	8,286	3,024	2,111
Total current liabilities	30,396	N/A*	N/A*	N/A*	16,308	N/A*	N/A*	N/A*	–	–	–	–	953	8,286	3,024	2,111

* As the company becomes a subsidiary of the Group on 10 December 2020, no information is disclosed in the summarised statements of financial position and profit or loss.

	Guangdong Jinjin Fruit				Banguo Technology				Henan Zhanxin				Guoying Zhifu			
	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June
	2019	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	N/A#	1,897	2,028	2,211	N/A#	33,871	31,139	29,561	N/A#	50	104	34	N/A#	N/A#	1,891	4,889
Other current assets (excluding cash)	N/A#	24,887	25,496	30,432	N/A#	34,395	16,071	36,359	N/A#	54,857	108,074	118,655	N/A#	N/A#	35,000	33,530
Total current assets	N/A#	26,784	27,524	32,643	N/A#	68,266	47,210	65,920	N/A#	54,097	108,178	118,689	N/A#	N/A#	36,891	38,419
Non-current assets	N/A#	15,214	35,738	20,812	N/A#	82,284	82,316	82,257	N/A#	–	–	–	N/A#	N/A#	6,092	5,000
Current liabilities																
Financial liabilities	N/A#	10,860	11,186	8,500	N/A#	46,962	25,589	45,277	N/A#	–	–	–	N/A#	N/A#	–	–
Other current liabilities	N/A#	951	2,986	2,808	N/A#	2,204	3,653	1,042	N/A#	–	163	781	N/A#	N/A#	1	7
Total current liabilities	N/A#	11,811	14,172	11,308	N/A#	49,166	29,242	46,319	N/A#	–	163	781	N/A#	N/A#	1	7

	Youguolian Brand				Younongdao Beijing				Shangyin Zhonghe Hengtai				Hainan Xinfu			
	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June
	2019	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**	**2019**	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities																
Financial liabilities (excluding trade payables)	–	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	–	–	–	–	–	–	–	–
Other non-current liabilities	–	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	–	–	–	–	–	12,915	12,895	11,380
Total non-current liabilities	–	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	–	–	–	–	–	12,915	12,895	11,380

	Youguolian Brand				Younongdao Beijing				Shangyin Zhonghe Hengtai				Hainan Xinfu			
	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net assets/ (liabilities)	36,147	N/A*	N/A*	N/A*	3,745	N/A*	N/A*	N/A*	26,476	34,212	34,206	34,206	112,500	134,249	122,895	120,838
Equity attributable to the owners of the associate	36,037	N/A*	N/A*	N/A*	3,745	N/A*	N/A*	N/A*	26,476	34,212	34,206	34,206	112,500	134,249	122,895	120,838
Non-controlling interests	110	N/A*	N/A*	N/A*	–	N/A*	N/A	N/A*	–	–	–	–	–	–	–	–
	36,147	N/A*	N/A*	N/A*	3,745	N/A*	N/A*	N/A*	26,476	34,212	34,206	34,206	112,500	134,249	122,895	120,838

\# As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

* As the company becomes a subsidiary of the Group on 10 December 2020, no information is disclosed in the summarised statements of financial position and profit or loss.

	Guangdong Jinjin Fruit				Banguo Technology				Henan Zhanxin				Guoying Zhifu			
	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June	31 December	31 December	31 December	30 June
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities																
Financial liabilities (excluding trade payables)	N/A#	7,337	22,233	14,364	N/A#	–	–	–	N/A#	–	–	–	N/A#	N/A#	–	–
Other non-current liabilities	N/A#	–	–	–	N/A#	–	–	–	N/A#	–	3,985	3,632	N/A#	N/A#	–	–
Total non-current liabilities	N/A#	7,337	22,233	14,364	N/A#	–	–	–	N/A#	–	3,985	3,362	N/A#	N/A#	–	–
Net assets/ (liabilities)	N/A#	22,850	26,857	27,783	N/A#	101,384	100,284	101,858	N/A#	54,907	104,030	114,276	N/A#	N/A#	42,982	43,412
Equity attributable to the owners of the associate	N/A#	17,803	22,006	21,659	N/A#	101,384	100,284	101,858	N/A#	54,097	104,030	114,276	N/A#	N/A#	42,982	43,412
Non-controlling interests	N/A#	5,047	4,851	6,124	N/A#	–	–	–	N/A#	–	–	–	N/A#	N/A#	–	–
	N/A#	22,850	26,857	27,783	N/A#	101,384	100,284	101,858	N/A#	54,907	104,030	114,276	N/A#	N/A#	42,982	43,412

Summarised statements of profit or loss

	Youguolian Brand					Younongdao Beijing					Shangyin Zhonghe Hengtai				
	31 December 2019	31 December 2020	31 December 2021	30 June 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)					*(unaudited)*					*(unaudited)*	
Revenue	20,614	N/A*	N/A*	N/A*	N/A*	1,255	N/A*	N/A*	N/A*	N/A*	–	–	–	–	–
Operating profit/(loss)	(2,265)	N/A*	N/A*	N/A*	N/A*	(4,424)	N/A*	N/A*	N/A*	N/A*	(2,620)	7,737	(7)	(7)	–
Finance income/(costs), net	(1,467)	N/A*	N/A*	N/A*	N/A*	157	N/A*	N/A*	N/A*	N/A*	1	(1)	1	–	–
Income tax expense	(29)	N/A*	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	N/A*	–	–	–	–	–
(Loss)/profit for the year/period	(3,761)	N/A*	N/A*	N/A*	N/A*	(4,267)	N/A*	N/A*	N/A*	N/A*	(2,619)	7,736	(6)	(7)	–
Other comprehensive income	281	N/A*	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	N/A*	–	–	–	–	–
Total comprehensive (loss)/income	(3,480)	N/A*	N/A*	N/A*	N/A*	(4,267)	N/A*	N/A*	N/A*	N/A*	(2,619)	7,736	(6)	(7)	–
Attributable to:															
Owners of the associate	(2,830)	N/A*	N/A*	N/A*	N/A*	(4,267)	N/A*	N/A*	N/A*	N/A*	(2,619)	7,736	(6)	(7)	–
Non-controlling interests	(650)	N/A*	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	N/A*	–	–	–	–	–
Total comprehensive (loss)/income	(3,480)	N/A*	N/A*	N/A*	N/A*	(4,267)	N/A*	N/A*	N/A*	N/A*	(2,619)	7,736	(6)	(7)	–

As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

* As the company becomes a subsidiary of the Group on 10 December 2020, no information is disclosed in the summarised statements of financial position and profit or loss.

	Hainan Xinfu					Guangdong Jinjin Fruit					Banguo Technology				
	31 December	31 December	31 December	30 June	30 June	31 December	31 December	31 December	30 June	30 June	31 December	31 December	31 December	30 June	30 June
	2019	2020	2021	2021	2022	2019	2020	2021	2021	2022	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)					*(unaudited)*					*(unaudited)*	
Revenue	–	1,331	7,271	7,204	5,439	N/A#	–	159,116	88,851	96,266	N/A#	20,044	12,338	6,619	8,457
Operating profit/(loss)	–	(401)	(10,791)	(862)	(2,054)	N/A#	–	4,964	2,207	913	N/A#	(16,028)	(1,162)	(245)	214
Finance income/(costs), net	–	–	(563)	(1)	(3)	N/A#	–	(956)	92	8	N/A#	247	62	(34)	1,360
Income tax expense	–	–	–	–	–	N/A#	–	(1)	–	5	N/A#	(2)	–	–	–
Profit/(loss) for the year/period	–	(401)	(11,354)	(863)	(2,057)	N/A#	–	4,007	2,299	926	N/A#	(15,783)	(1,100)	(279)	1,574
Other comprehensive income	–	–	–	–	–	N/A#	–	–	(184)	–	N/A#	–	–	–	–
Total comprehensive income/(loss)	–	(401)	(11,354)	(863)	(2,057)	N/A#	–	4,007	2,115	926	N/A#	(15,783)	(1,100)	(279)	1,574
Attributable to:															
Owners of the associate	–	(401)	(11,354)	(863)	(2,057)	N/A#	–	4,155	2,115	926	N/A#	(15,783)	(1,100)	(279)	1,574
Non-controlling interests	–	–	–	–	–	N/A#	–	(148)	–	–	N/A#	(-)	–	–	–
Total comprehensive income/(loss)	–	(401)	(11,354)	(863)	(2,057)	N/A#	–	4,007	2,115	926	N/A#	(15,783)	(1,100)	(279)	1,574

	Henan Zhanxin					Guoyin Zhifu				
	31 December	31 December	31 December	30 June	30 June	31 December	31 December	31 December	30 June	30 June
	2019	2020	2021	2021	2022	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)					*(unaudited)*	
Revenue	–	–	–	–	–	N/A[#]	N/A[#]	–	–	–
Operating profit/(loss)	–	(939)	(5,065)	(2)	(3,094)	N/A[#]	N/A[#]	–	–	33
Finance income/(costs), net	–	61	23,440	–	13,340	N/A[#]	N/A[#]	–	–	–
Income tax expense	–	–	–	–	–	N/A[#]	N/A[#]	–	–	(5)
Profit/(loss) for the year/period	–	(878)	18,375	(2)	10,246	N/A[#]	N/A[#]	–	–	28
Other comprehensive income	–	–	–	–	–	N/A[#]	N/A[#]	–	–	–
Total comprehensive income/(loss)	–	(878)	18,375	(2)	10,246	N/A[#]	N/A[#]	–	–	28
Attributable to:										
Owners of the associate	–	(878)	18,375	(2)	10,246	N/A[#]	N/A[#]	–	–	28
Non-controlling interests	–	–	–	–	–	N/A[#]	N/A[#]	–	–	–
Total comprehensive income/(loss)	–	(878)	18,375	(2)	10,246	N/A[#]	N/A[#]	–	–	28

\# As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

Reconciliation of summarised financial information

	Youguolian Brand				Younongdao Beijing				Shangyin Zhonghe Hengtai				Hainan Xinfu			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributed to owners of the associate																
Opening net assets	39,236	N/A*	N/A*	N/A*	8,012	N/A*	N/A*	N/A*	29,095	26,476	34,212	34,206	–	112,500	134,249	122,895
Initial recognition of the investment	–	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	–	–	–	–	112,500	22,150	–	–
Profit/(loss) for the year/period	(3,480)	N/A*	N/A*	N/A*	(4,267)	N/A*	N/A*	N/A*	(2,619)	7,736	(6)	–	–	(401)	(11,354)	(2,057)
Other comprehensive income	281	N/A*	N/A*	N/A*	–	N/A*	N/A*	N/A*	–	–	–	–	–	–	–	–
Closing net assets/(liabilities)	36,037	N/A*	N/A*	N/A*	3,745	N/A*	N/A*	N/A*	26,476	34,212	34,206	34,206	112,500	134,249	122,895	120,838
Percentage of shareholding	30%	N/A*	N/A*	N/A*	46%	N/A*	N/A*	N/A*	52%	52%	52%	52%	15%	17%	17%	17%
Interests in associates	10,811	N/A*	N/A*	N/A*	1,722	N/A*	N/A*	N/A*	13,648	17,790	17,787	17,787	16,875	22,822	20,892	20,542
Implicit goodwill	3,600	N/A*	N/A*	N/A*	21,258	N/A*	N/A*	N/A*	–	–	–	–	–	2,618	2,618	2,618
Interests in associates	14,411	N/A*	N/A*	N/A*	22,980	N/A*	N/A*	N/A*	13,648	17,790	17,787	17,787	16,875	25,440	23,510	23,160

* As the company becomes a subsidiary of the Group on 10 December 2020, no information is disclosed in the summarised statements of financial position and profit or loss.

	Guangdong Jinjin Fruit				Banguo Technology				Henan Zhanxin				Guoying Zhifu			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributed to owners of the associate																
Opening net assets	N/A#	–	22,850	26,857	N/A#	–	101,384	100,284	N/A#	–	54,907	104,030	N/A#	N/A#	–	42,982
Initial recognition of the investment	N/A#	22,850	–	–	N/A#	117,167	–	–	N/A#	55,785	30,748	–	N/A#	N/A#	42,982	–
Profit/(loss) for the year/period	N/A#	–	4,007	926	N/A#	(15,783)	(1,100)	1,574	N/A#	(878)	18,375	10,246	N/A#	N/A#	–	430
Other comprehensive income	N/A#	–	–	–	N/A#	–	–	–	N/A#	–	–	–	N/A#	N/A#	–	–
Closing net assets	N/A#	22,850	26,857	27,783	N/A#	101,384	100,284	101,858	N/A#	54,907	104,030	114,276	N/A#	N/A#	42,982	43,412
Percentage of shareholding	N/A#	34%	34%	34%	N/A#	31%	31%	31%	N/A#	60%	60%	60%	N/A#	N/A#	57%	57%
Interests in associates	N/A#	7,769	9,131	9,446	N/A#	31,429	31,088	31,576	N/A#	32,944	62,418	68,566	N/A#	N/A#	24,500	24,576
Implicit goodwill	N/A#	21,716	21,716	21,716	N/A#	–	–	–	N/A#	–	–	–	N/A#	N/A#	–	–
Interests in associates	N/A#	29,485	30,847	31,162	N/A#	31,429	31,088	31,576	N/A#	32,944	62,418	68,566	N/A#	N/A#	24,500	24,746

As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

	Nanjing Jinse Zhuangyuan				Aisien			
	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	10,882	20,205	20,001	20,606	N/A#	517	N/A##	N/A##
Other current assets (excluding cash)	26,676	25,552	52,264	49,240	N/A#	1,275	N/A##	N/A##
Total current assets	37,558	45,757	72,265	69,846	N/A#	1,792	N/A##	N/A##
Non-current assets	32,864	75,385	71,635	64,783	N/A#	6,829	N/A##	N/A##
Current liabilities								
Financial liabilities (excluding trade payables)	18,416	29,387	59,792	39,800	N/A#	2,942	N/A##	N/A##
Other current liabilities	6,814	15,671	13,766	11,539	N/A#	172	N/A##	N/A##
Total current liabilities	25,230	45,058	73,558	51,339	N/A#	3,114	N/A##	N/A##
Non-current liabilities								
Financial liabilities (excluding trade payables)	–	–	–	–	N/A#	–	N/A##	N/A##
Other non-current liabilities	11,000	11,737	11,737	11,669	N/A#	–	N/A##	N/A##
Total non-current liabilities	11,000	11,737	11,737	11,669	N/A#	–	N/A##	N/A##
Net assets	34,192	64,347	58,605	71,621	N/A#	5,507	N/A##	N/A##
Equity attributable to the owners of the joint ventures	34,192	64,347	58,605	71,621	N/A#	5,507	N/A##	N/A##
Non-controlling interests	–	–	–	–	N/A#	–	N/A##	N/A##
	34,192	64,347	58,605	71,621	N/A#	5,507	N/A##	N/A##

As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

The company was disposed before 31 December 2021, no information is disclosed in the summarised statements of financial position and profit or loss.

	Nanjing Jinse Zhuangyuan					Aisien				
	31 December 2019	31 December 2020	31 December 2021	30 June 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)					*(unaudited)*	
Revenue	208,337	210,581	321,243	214,426	220,156	N/A#	–	N/A##	N/A##	N/A##
Operating profit/(loss)	1,281	14,184	20,489	20,569	13,888	N/A#	(1,083)	N/A##	N/A##	N/A##
Finance income/(costs), net	(114)	(405)	(1,306)	(1,251)	(872)	N/A#	(88)	N/A##	N/A##	N/A##
Income tax expense	–	(179)	–	–	–	N/A#	–	N/A##	N/A##	N/A##
Profit/(loss) for the year/period	1,167	13,600	19,183	19,318	13,016	N/A#	(1,171)	N/A##	N/A##	N/A##
Other comprehensive income	–	–	–	–	–	N/A#	–	N/A##	N/A##	N/A##
Total comprehensive income/(loss)	1,167	13,600	19,183	19,318	13,016	N/A#	(1,171)	N/A##	N/A##	N/A##
Attributable to:										
Owners of the joint ventures	1,167	13,600	19,183	19,318	13,016	N/A#	(1,171)	N/A##	N/A##	N/A##
Non-controlling interests	–	–	–	–	–	N/A#	–	N/A##	N/A##	N/A##
Total comprehensive income/(loss)	1,167	13,600	19,183	19,318	13,016	N/A#	(1,171)	N/A##	N/A##	N/A##

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	31 December 2019	31 December 2020	31 December 2021	30 June 2022	31 December 2019	31 December 2020	31 December 2021	30 June 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Attributed to owners of the joint ventures								
Opening net assets	33,025	34,192	64,347	58,605	N/A#	–	N/A##	N/A##
Capital injection	–	16,555	–	–	N/A#	6,678	N/A##	N/A##
Profit/(loss) for the year/period	1,167	13,600	18,938	13,016	N/A#	(1,171)	N/A##	N/A##
Other comprehensive income	–	–	–	–	N/A#	–	N/A##	N/A##
Dividend paid	–	–	(24,680)	–	N/A#	–	N/A##	N/A##
Closing net assets	34,192	64,347	58,605	71,621	N/A#	5,507	N/A##	N/A##
Percentage of shareholding	15%	39%	39%	39%	N/A#	35%	N/A##	N/A##
Interests in joint ventures	5,129	25,096	22,856	27,867	N/A#	1,927	N/A##	N/A##
Implicit goodwill	2,766	22,700	22,700	22,700	N/A#	833	N/A##	N/A##
Interests in joint ventures	7,895	47,796	45,556	50,567	N/A#	2,760	N/A##	N/A##

\# As the company has not been acquired, no information is disclosed in the summarised statements of financial position and profit or loss.

\## The company was disposed before 31 December 2021, no information is disclosed in the summarised statements of financial position and profit or loss.

Notes:

No dividend has been paid or declared by the associates to the Group since the dates of investments and there are no other contingent liabilities and commitments relating to the Group's interests in associates.

Dividend of RMB9,626,000 and RMB5,914,000 for the year ended 31 December 2021 and the six months ended 30 June 2021 have been paid by a joint venture to the Group since the dates of investments and there are no other contingent liabilities and commitments relating to the Group's interests in joint ventures.

(g) Individually immaterial associates

In addition to the interests in associates and joint ventures disclosed above, the Group also has interests in a number of individually immaterial associates that are accounted for using the equity method.

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Aggregate carrying amount of individually immaterial associates	36,328	71,312	88,745	96,480
Aggregate amounts of the Group's share of losses	(3,360)	(1,754)	(1,016)	(2,413)

21 Financial assets at FVOCI

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Listed equity securities	11,172	9,953	4,989	2,908
Unlisted equity securities	65,177	55,409	5,875	17,526
	76,349	65,362	10,864	20,434

The movement of equity investments at FVOCI are as follows:

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	71,440	76,349	65,362	10,864
Additions	30,457	8,243	3,002	10,581
Addition upon step acquisition (Note 36.1(b))	–	930	–	–
Disposals	(63,967)	–	–	(189)
Reclassification to interests in associates upon obtaining significant influence (Note 20(b))	–	(29,789)	(8,063)	–
Net fair value gain/(loss) charged to equity	38,419	9,629	(49,437)	(822)
At 31 December/ 30 June	76,349	65,362	10,864	20,434

On 10 December 2020, following the step acquisition of Youguolian Brand, the Group has effective interest of 56% in Youguolian Brand and therefore obtained control over Youguolian Brand. Certain financial assets at FVOCI are reclassified to interests in associates following the step acquisition of Youguolian Brand. Please refer to Note 20(b), (c)(ii) and (c)(v) for details.

On 28 January 2021, the Group acquired further interest in Beijing Kedao and obtained significant influence from that day onwards. As such, all of the Group's previously interest in Beijing Kedao accounted for under financial asset at FVOCI, together with the newly acquired interest, is reclassified to interests in associate.

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	58,473	–	–	–
Additions	–	–	–	–
Disposals	(60,166)	–	–	–
Net fair value gain charged to equity	1,693	–	–	–
At 31 December/ 30 June	–	–	–	–

22 Inventories

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fruits and other food products	223,411	247,251	236,819	249,333
Consumables	11,395	12,004	9,941	14,018
	234,806	259,255	246,760	263,351

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fruits and other food products	9,303	25,433	16,117	23,051

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB7,788,602,000, RMB7,658,785,000, RMB8,705,686,000, RMB4,708,374,000 and RMB4,993,775,000 during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022, respectively.

Write-downs of inventories to net realisable value amounted to RMB57,000, RMB96,000, RMB2,292,000, RMB363,000 and RMB700,000 were recognised as an expense during the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2021 and 2022 respectively and included in 'cost of sales' in the consolidated statements of profit or loss.

23 Biological assets

The Group

Biological assets solely comprise fresh fruit bunches growing on fruit trees.

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,977	3,006	2,131	4,525
Increase due to purchase and cultivation	6,341	8,594	8,274	5,231
Transfer to inventories	(5,071)	(9,620)	(5,386)	(4,597)
Changes in fair value due to biological transformation	(241)	151	(494)	(714)
At 31 December/30 June	3,006	2,131	4,525	4,445

24 Trade receivables

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	1,448,544	1,320,785	1,191,298	1,118,503
Less: loss allowance	(4,813)	(29,911)	(35,071)	(35,405)
Trade receivables, net	1,443,731	1,290,874	1,156,227	1,083,098

The Group allows an average credit period of up to 90 days to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1-90 days	1,034,783	832,824	784,079	741,392
91-180 days	369,964	343,154	332,889	306,355
181-365 days	41,315	128,104	47,500	42,577
Over 1 year	2,482	16,703	26,830	28,179
	1,448,544	1,320,785	1,191,298	1,118,503

The Group has assessed the ECL by considering historical default rates, existing market conditions and forward looking information.

Movement of loss allowance for impairment of trade receivables has been disclosed in Note 3.1(b)(ii).

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on the historical loss pattern of the Group. The calculation reflects the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

During the Track Record Period, management has identified debtors to be credit impaired and are undergoing bankruptcy proceedings. The Group has submitted a claim to those debtors. Management has assessed the recoverability of the outstanding balances of these debtors of RMB20,481,000, RMB27,207,000 and RMB27,207,000 as at 31 December 2020 and 2021, and 30 June 2022 separately from the provisional matrix, and has fully provided for the amounts.

The loss allowance provisions as at 31 December 2019, 2020 and 2021 and 30 June 2022 are determined as follows:

For trade receivables from franchisees

Ageing category	1-90 days	91-180 days	181-365 days	Over 1 year	Total
31 December 2019:					
Expected loss rate	0.002%	0.006%	0.08%	100.0%	
Gross carrying amount (RMB'000)	964,560	357,602	40,271	135	1,362,568
Loss allowance provision (RMB'000)	21	21	34	135	211
31 December 2020:					
Expected loss rate	0.06%	0.2%	1.2%	100.0%	
Gross carrying amount (RMB'000)	766,681	318,362	104,213	1,720	1,190,976
Loss allowance provision (RMB'000)	427	481	1,230	1,720	3,858
31 December 2021:					
Expected loss rate	0.09%	0.2%	0.8%	100.0%	
Gross carrying amount (RMB'000)	693,263	313,779	44,525	1,331	1,052,898
Loss allowance provision (RMB'000)	620	588	338	1,331	2,877
30 June 2022:					
Expected loss rate	0.1%	0.25%	0.9%	100.0%	
Gross carrying amount (RMB'000)	637,665	288,615	41,206	972	968,458
Loss allowance provision (RMB'000)	638	722	371	972	2,703

For trade receivables from corporate customers

Ageing category	1-90 days	91-180 days	181-365 days	Over 1 year	Total
31 December 2019:					
Expected loss rate	2.3%	4.8%	6.9%	100.0%	
Gross carrying amount (RMB'000)	70,223	12,362	1,044	2,347	85,976
Loss allowance provision (RMB'000)	1,593	590	72	2,347	4,602
31 December 2020:					
Expected loss rate	3.1%	6.3%	10.6%	100.0%	
Gross carrying amount (RMB'000)	66,143	24,792	18,393	–	109,328
Loss allowance provision (RMB'000)	2,057	1,567	1,948	–	5,572
31 December 2021:					
Expected loss rate	3.5%	7.6%	27.1%	100.0%	
Gross carrying amount (RMB'000)	90,816	19,110	1,267	–	111,193
Loss allowance provision (RMB'000)	3,201	1,443	343	–	4,987
30 June 2022:					
Expected loss rate	3.6%	7.8%	27.5%	100.0%	
Gross carrying amount (RMB'000)	103,727	17,740	1,371	–	122,838
Loss allowance provision (RMB'000)	3,734	1,384	377	–	5,495

For trade receivables from individually assessed customers

Management has performed individual assessment on certain customers and identified these customers have been credit impaired. Balance of RMB20,481,000, RMB27,207,000 and RMB27,207,000, as at 31 December 2020 and 2021 and 30 June 2022, respectively have been fully provided.

Movements on the loss allowance of trade receivables are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,663	4,813	29,911	35,071
Increase in loss allowance recognised	3,150	25,098	5,160	334
At 31 December/ 30 June	4,813	29,911	35,071	35,405

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	1,425,353	1,280,209	1,144,286	1,068,633
US$	11,767	7,952	9,231	5,827
HK$	6,611	2,713	2,710	8,638
	1,443,731	1,290,874	1,156,227	1,083,098

The maximum exposure to credit risk as at 31 December 2019, 2020 and 2021 and 30 June 2022 is the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, gross	14,393	20,194	29,342	24,962
Less: (loss allowance)/reversal of loss allowance	(701)	(1,556)	(1,876)	(2,161)
Trade receivables, net	13,692	18,638	27,466	22,801

The Company allows an average credit period of up to 90 days to its customers. The ageing analysis of trade receivables by invoice date is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1-90 days	11,483	17,409	21,633	18,245
91-180 days	2,143	797	4,262	2,620
181-365 days	280	947	2,847	3,391
Over 1 year	487	1,041	600	706
	14,393	20,194	29,342	24,962

The Company has assessed the ECL by considering historical default rates, existing market conditions and forward looking information.

The loss allowance provisions as at 31 December 2019, 2020 and 2021 and 30 June 2022 are determined as follows:

For trade receivables from corporate customers

Ageing category	1-90 days	91-180 days	181-365 days	Over 1 year	Total
31 December 2019:					
Expected loss rate	1.1%	2.6%	13.6%	100.0%	
Gross carrying amount (RMB'000)	11,483	2,143	280	487	14,393
Loss allowance provision (RMB'000)	120	56	38	487	701
31 December 2020:					
Expected loss rate	2.0%	3.0%	15.0%	100.0%	
Gross carrying amount (RMB'000)	17,409	797	947	1,041	20,194
Loss allowance provision (RMB'000)	348	24	143	1,041	1,556
31 December 2021:					
Expected loss rate	1.6%	3.6%	27.4%	100.0%	
Gross carrying amount (RMB'000)	21,633	4,262	2,847	600	29,342
Loss allowance provision (RMB'000)	341	155	780	600	1,876
30 June 2022:					
Expected loss rate	2.0%	4.1%	29.0%	100.0%	
Gross carrying amount (RMB'000)	18,245	2,620	3,391	706	24,962
Loss allowance provision (RMB'000)	365	107	983	706	2,161

Movements on the loss allowance of trade receivables are as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	433	701	1,556	1,876
Increase/(decrease) in loss allowance recognised	268	855	320	285
At 31 December/ 30 June	701	1,556	1,876	2,161

The carrying amounts of the Company's trade receivables are denominated in RMB.

The maximum exposure to credit risk as at 31 December 2019, 2020 and 2021 and 30 June 2022 is the carrying value of trade receivables mentioned above. The Company does not hold any collateral as security.

25 Deposits, prepayments and other receivables

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayment for property, plant and equipment	5,750	25,128	32,009	38,834
Prepayment for right of use assets	–	51,600	–	–
Rental deposits	5,906	5,620	12,297	12,612
Interest-bearings borrowings to franchisees (Note c)	50,226	131,617	178,990	190,767
Other prepayments (Note g)	23,240	36,431	101,588	112,370
	85,122	250,396	324,884	354,583
Less: loss allowance	(1,255)	(2,488)	(3,483)	(3,700)
	83,867	247,908	321,401	350,883
Current				
Rental deposits	2,178	1,211	1,355	1,473
Other deposits	5,677	7,665	6,407	6,534
Prepayment for purchases of fruits and other food products	213,942	217,217	452,288	424,171
Prepayment of [**REDACTED**] expenses	–	–	5,498	10,998
Other prepayments	15,741	41,944	62,773	49,958
Proceeds receivable from prepaid cards sold (Note a)	14,790	16,078	14,214	18,505
Interest-free loans to franchisees (Note b)	13,990	–	–	–
Factoring amounts to regional dealers (Note d)	148,035	179,835	221,478	169,537
Factoring amounts to suppliers (Note e)	114,224	72,520	16,557	–
Interest-bearing loans to third parties (Note f)	16,117	7,672	6,386	–
Other tax recoverable	25,938	52,623	55,483	59,666
Other receivables	17,359	27,677	23,667	28,752
	587,991	624,442	866,106	769,594
Less: loss allowance	(10,525)	(5,085)	(4,300)	(2,995)
	577,466	619,107	861,806	766,599

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Prepayment for property, plant and equipment	1,363	3,513	3,773	9,505
Rental deposits	1,246	901	761	464
Interest-bearing borrowings to franchisees (Note c)	50,226	131,617	178,990	190,767
Other prepayments (Note g)	23,240	36,431	101,588	112,373
	76,075	172,462	285,112	313,109
Less: loss allowance	(1,255)	(2,488)	(3,483)	(3,700)
	74,820	169,974	281,629	309,409
Current				
Rental deposits	1,868	488	283	713
Other deposits	2,055	4,448	2,933	3,034
Prepayment for purchases of fruits and other food products	263	59	142	97
Prepayment of [**REDACTED**] expenses	–	–	5,498	10,998
Other prepayments	10,176	15,190	15,607	17,663
Proceeds receivable from prepaid cards sold (Note a)	14,790	16,078	14,214	18,505
Interest-free loans to franchisees (Note b)	13,990	–	–	–
Factoring amounts to regional dealers (Note d)	131,895	–	–	–
Interest-bearing loans to third parties (Note f)	–	4,798	5,239	–
Other tax recoverable	10,097	12,583	18,440	21,777
Other receivables	15,507	12,478	25,701	19,840
	200,641	66,122	88,057	92,627
Less: loss allowance	(3,340)	(16)	(11)	(10)
	197,301	66,106	88,046	92,617

The carrying amounts of deposits and other receivables approximate their fair values.

The Group's and the Company's deposits and other receivables are denominated in RMB as at 31 December 2019, 2020 and 2021 and 30 June 2022.

Notes:

(a) The Group issues and sells prepaid cards to corporate customers on behalf of franchisees at their own costs with no mark-up. In accordance with relevant regulations issued by Ministry of Commerce of the People's Republic of China, bank balances of RMB115,970,000, RMB161,486,000, RMB158,788,000 and RMB153,414,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022 were restricted. The amount represents proceeds receivable from corporate customers of prepaid cards sold.

(b) Interest-free loans to franchisee represent cash advances made to franchisees. The loans are unsecured, interest-free and repayable on demand. Such interest-free loans were no longer granted since 2019 and were fully settled during the year ended 31 December 2020.

(c) The balance represents cash advance made to franchisees. The interest-bearing loans are unsecured, interest bearing at 4.75% per annum and repayable by the end of franchising agreement, which is 5 years for the inception of the franchise stores.

(d) Factoring amounts to regional dealers represent cash advances made to regional dealers. Subsidiaries of the Group have agreed to transfer the creditor's rights and relevant rights of the receivable from the regional dealers to a factoring company of the Group, and the factoring company has agreed to receive such creditor's rights and relevant rights of the receivables and to provide the regional dealers with factoring facilities. The factoring facilities are unsecured, interest bearing at 4.75% to 12.0% per annum and repayable within 1 year.

(e) Factoring amounts to suppliers represent cash advances made to suppliers. Suppliers has agreed to transfer the creditor's rights and relevant rights of the receivable from the Group to a factoring company of the Group, and the factoring company has agreed to receive such creditor's rights and relevant rights of the receivables and to provide the suppliers with factoring facilities. The factoring facilities are secured by the equity interests in these suppliers, and guaranteed by the controlling shareholders of the suppliers, with interest bearing from 9.6% to 12.0% per annum and repayable within 1 year.

(f) Interest-bearing loans to third parties represents cash advances made to other independent third parties. The loan receivables are unsecured, interest bearing from 4% to 15% per annum and repayable within 1 year.

(g) Other prepayments represent subsidies to certain franchisees for pre-opening support services provided to the franchisees. The subsidies are recognised on a straight-line basis over the expected franchise period, aligns with the franchisee's access to the franchise rights. During the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022, amortisation of RMB2,364,000, RMB7,535,000, RMB19,753,000, RMB6,854,000 and RMB16,461,000, respectively, was recognised as a reduction of royalty income.

(h) Movements on the loss allowance of deposits and other receivables are as follows:

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	7,892	11,780	7,573	7,783
Increase/(decrease) in loss allowance recognised	7,898	(4,207)	210	(1,088)
Receivables written off as uncollectible	(4,010)	–	–	–
At 31 December/ 30 June	11,780	7,573	7,783	6,695

The Company

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	–	4,595	2,504	3,494
Increase in loss allowance recognised	4,595	(2,091)	990	216
At 31 December/ 30 June	4,595	2,504	3,494	3,710

26 Financial assets at FVTPL

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset				
Unlisted compound financial instruments	79,716	75,166	82,286	81,313
Current asset				
Unlisted structured deposits	765,822	414,744	1,039,995	229,954

The movements of financial assets at FVTPL are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,239,000	845,538	489,910	1,122,281
Additions	12,246,320	6,181,410	7,507,295	2,299,806
Redemption	(12,686,212)	(6,547,591)	(6,884,172)	(3,118,296)
Net fair value gains credited to profit or loss (Note 7)	46,430	10,553	9,248	7,476
At 31 December/30 June	845,538	489,910	1,122,281	311,267

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current asset				
Unlisted structured deposits	765,822	414,744	1,039,995	229,954

The movements of debt investments at FVTPL are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,239,000	765,822	414,744	1,039,995
Additions	12,138,320	6,171,494	7,417,295	2,299,806
Redemption	(12,656,199)	(6,545,417)	(6,811,135)	(3,118,296)
Net fair value gains credited to profit or loss	44,701	22,845	19,091	8,449
At 31 December/30 June	765,822	414,744	1,039,995	229,954

27 Cash and bank balances

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Restricted bank deposits (Note a)	–	51,009	1,009	1,009
Long-term bank deposits (Note b)	–	250,000	100,000	30,000
	–	301,009	101,009	31,009
Current assets				
Cash at banks and on hand	317,248	454,636	564,666	1,897,504
Short-term bank deposit (Note b)	–	200,100	250,000	80,000
Restricted bank deposits (Note a)	176,979	224,386	272,690	267,314
	494,227	879,122	1,087,356	2,244,818
Cash and bank balances	494,227	1,180,131	1,188,365	2,275,827

The carrying amounts of the Group's cash and bank balances approximate their fair values and are denominated in the following currencies:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	487,391	1,164,395	1,128,563	2,262,602
US$	6,836	13,000	57,171	13,225
HK$	–	2,736	2,631	–
	494,227	1,180,131	1,188,365	2,275,827

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Restricted bank deposits (Note a)	–	50,000	–	–
Long-term bank deposits (Note b)	–	250,000	100,000	30,000
	–	300,000	100,000	30,000
Current assets				
Cash at banks and on hand	151,801	261,942	278,367	1,154,141
Short-term bank deposits (Note b)	–	200,100	250,000	80,000
Restricted bank deposits (Note a)	165,970	211,486	258,788	252,282
	317,771	673,528	787,155	1,486,423
Cash and bank balances	317,771	973,528	887,155	1,516,423

The carrying amounts of the Company's cash and bank balances approximate their fair values and are denominated in RMB.

Notes:

(a) Restricted bank deposits of the Group comprise (i) guaranteed deposits amounted to RMB115,970,000, RMB161,486,000, RMB158,788,000 and RMB153,414,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022 for receipts in advance of prepaid cards in accordance with relevant regulations issued by Ministry of Commerce of the People's Republic of China (Note 25(a)), (ii) guaranteed deposits amounted to RMB11,009,000, RMB13,909,000, RMB14,911,000 and RMB14,909,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, that are restricted in use for certain banking arrangement of the Group; and (iii) other restricted long term bank deposits with original maturities of over 1 year amounted to RMB50,000,000 as at 31 December 2020 and other restricted short term bank deposits with original maturities of over 3 months amount to RMB50,000,000, RMB50,000,000, RMB100,000,000 and RMB100,000,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

Restricted bank deposits of the Company comprise (i) guaranteed deposits amounted to RMB115,970,000, RMB161,486,000, RMB158,788,000 and RMB153,414,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022 for receipts in advance of prepaid cards in accordance with relevant regulations issued by Ministry of Commerce of the People's Republic of China (Note 25(a)), and (ii) other restricted long term bank deposits with original maturities of over 1 year amounted to RMB50,000,000 as at 31 December 2020 and other restricted short term bank deposits with original maturities of over 3 months amount to RMB50,000,000, RMB50,000,000, RMB100,000,000 and RMB100,000,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

(b) Long term bank deposits and short term bank deposits represent bank deposits with original maturities of over 1 year and over 3 months respectively as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, for the purpose of interest earning.

The cash and bank balances are deposited with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

28 Bank borrowings

The Group

	As at 31 December			**As at 30 June**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term bank borrowings	26,000	18,000	17,084	15,676
Current				
Short-term bank borrowings	586,730	904,417	1,424,800	1,280,000
Portion of long-term bank borrowings due for repayment within one year/period	8,055	6,652	10,627	9,918
	594,785	911,069	1,435,427	1,289,918

Borrowings as at 31 December 2019, 2020 and 2021 and 30 June 2022 of RMB34,000,000, RMB26,000,000, RMB18,000,000 and RMB17,000,000, were guaranteed in full amount by the Company, Mr. Yu and Ms. Xu and secured by certain right-of-use assets (Note 16) with the carrying amount of RMB1,546,000, RMB1,502,000, RMB1,458,000 and RMB1,436,000 respectively.

Borrowings as at 31 December 2019 and 2020 of RMB16,000,000 and RMB24,000,000 were secured by certain property, plant and equipment (Note 15) with the carrying amount of RMB1,446,000 and RMB1,332,000 respectively.

Remaining borrowings as at 31 December 2019, 2020 and 2021 and 30 June 2022 of RMB570,785,000, RMB879,069,000, RMB1,434,511,000 and RMB1,288,594,000 were guaranteed in full amount by the Company, certain subsidiaries of the Group, Mr. Yu and Ms. Xu.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has unutilised facility amount of RMB310,000,000, RMB254,000,000, RMB950,200,000 and RMB1,410,000,000 respectively.

As at 30 June 2022, right-of-use assets of RMB50,367,000 was pledged for an unutilised facility amounting to RMB320,000,000.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rates are 4.67%, 4.11%, 3.86% and 3.75% as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

The carrying amounts of the Group's borrowings are denominated in RMB.

The Group's borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
On demand or within 1 year	594,785	911,069	1,435,427	1,289,919
Between 1 and 2 years	8,000	10,000	1,827	8,847
Between 2 and 5 years	18,000	8,000	10,735	2,802
Over 5 years	–	–	4,522	4,026
	620,785	929,069	1,452,511	1,305,594

The Company

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Short-term bank borrowings, guaranteed	370,457	618,879	913,878	869,393

The Company's borrowings as at 31 December 2019, 2020 and 2021 and 30 June 2022 of RMB370,457,000, RMB618,879,000, RMB913,878,000 and RMB869,393,000 were guaranteed in full amount by one of the Company's subsidiaries, Mr. Yu and Ms. Xu.

The carrying amounts of the borrowings approximate their fair values. The weighted average interest rates are 4.45%, 4.04%, 3.86% and 3.76% as at 31 December 2019, 2020 and 2021 and 30 June 2022 respectively.

The carrying amounts of the Company's borrowings are denominated in RMB.

The Company's borrowing were repayable as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other borrowings				
On demand or within 1 year	370,457	618,879	913,878	869,393

The Group and the Company have complied with the relevant covenants of its borrowing facilities as at 31 December 2019, 2020 and 2021 and 30 June 2022.

29 Trade payables

The Group

The ageing analysis of the trade payables based on invoice dates is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	361,555	282,426	317,811	466,048
31 to 60 days	6,552	18,022	20,757	20,948
61 to 90 days	1,856	3,272	2,224	2,836
Over 90 days	8,872	1,212	4,404	10,721
	378,835	304,932	345,196	500,553

The carrying amounts of the Group's trade payables approximate their fair values and are denominated in RMB.

The Company

The ageing analysis of the trade payables based on invoice dates is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 30 days	2,596	4,699	11,644	7,824
31 to 60 days	802	2,910	1,450	5,047
61 to 90 days	506	28	345	178
Over 90 days	1,239	–	1,948	1,199
	5,143	7,637	15,387	14,248

The carrying amounts of trade payables approximate their fair values and are denominated in RMB.

30 Accruals and other payables

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Other payables (Note d)	30,235	63,219	72,266	76,939
Current				
Accrued expenses	23,042	31,095	42,313	49,240
Accrued [**REDACTED**] expenses	–	–	8,862	10,767
Net proceeds of franchised stores (Note a)	91,070	150,567	194,231	131,689
Receipt on behalf of franchisees for prepaid cards (Note b)	155,321	200,040	251,405	276,515
Stored value in member's accounts (Note b)	344,980	392,022	335,660	405,850
Membership fee received (Note c)	30,531	32,042	41,953	37,008
Salaries and welfare payables	187,021	178,959	257,477	223,381
Other tax payables	4,039	4,097	8,670	3,071
Deposits received	18,512	26,594	24,656	27,044
Other payables	22,828	12,669	12,836	15,606
	877,344	1,028,085	1,178,063	1,180,171

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Other payables (Note d)	30,235	63,219	72,266	73,604
Current				
Accrued expenses	1,565	11,762	15,468	15,195
Accrued [**REDACTED**] expenses	–	–	8,862	10,767
Net proceeds of franchised stores (Note a)	91,070	150,567	194,231	131,689
Receipt on behalf of franchisees for prepaid cards (Note b)	152,516	195,234	241,627	272,773
Stored value in member's accounts (Note b)	344,980	392,022	335,660	405,850
Membership fee received (Note c)	30,531	32,042	41,953	37,008
Salaries and welfare payables	49,008	50,377	45,960	31,411
Other tax payables	1,189	931	987	1,026
Deposits received	14,127	22,072	18,379	20,753
Other payables	13,011	7,387	6,740	8,291
	697,997	862,394	909,867	934,763

Notes:

(a) The amount would normally be repaid to the franchisees on a monthly basis, subject to provisions set out in the franchising contract.

(b) Receipt of sales proceeds from prepaid cards and stored value accounts represents the advance receipts from the end customers who add value to their prepaid cards and stored value accounts. The Group receives the amount on behalf of franchisees and such amount is settled when the end customers use the cards and value accounts to purchase goods in stores.

(c) The balance represents the unutilised membership discount as at the respective year end dates arising from Xinxiang paid membership plan. The Group initiates such membership plan since late 2018. End customers of franchisees may subscribe for the membership for a 12-month period at a fixed fee payable to the Group. The members will enjoy discount from the purchases at franchised stores equivalent to at least the membership fee paid. Otherwise, the Group will refund to the end customers for any shortfall.

(d) The balance represents the refundable initial deposit payable by franchisees upon entering into franchisees agreements. The deposit will be refunded to the franchisees at the end of franchise period net of any penalties incurred.

The carrying amounts of accruals and other payables approximate their fair values and are denominated in RMB.

31 Deferred tax

The Group

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The analysis of deferred tax assets/(liabilities), net, is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets				
– to be recovered within 12 months	1,628	1,774	2,983	1,033
– to be recovered after more than 12 months	4,862	2,638	3,856	4,533
	6,490	4,412	6,839	5,566
Deferred tax liabilities				
– to be recovered within 12 months	(8,915)	(7,533)	(2,713)	(1,265)
– to be recovered after more than 12 months	(13,335)	(10,394)	(8,327)	(7,376)
	(22,250)	(17,927)	(11,040)	(8,641)
	(15,760)	(13,515)	(4,201)	(3,075)

The movements on the net deferred tax assets/(liabilities) are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
At the beginning of year/period	5,504	(15,760)	(13,515)	(13,515)	(4,201)
(Charged)/credited to profit or loss (Note 12)	(4,063)	1,851	3,430	571	1,626
(Charged)/credited to other comprehensive income	(9,578)	524	5,884	5,994	(500)
Acquisition of subsidiaries (Note 36.1)	(16,553)	(130)	–	–	–
Release to equity upon disposals of financial assets	8,930	–	–	–	–
At the end of year/period	(15,760)	(13,515)	(4,201)	(6,950)	(3,075)

The movements in deferred tax during the Track Record Period are as follows:

Deferred tax assets

	Tax losses	Provisions	Lease liabilities	Decelerated tax depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	8,412	419	15,489	163	24,483
(Charged)/credited to profit or loss	(7,567)	363	27,035	188	20,019
At 31 December 2019 and 1 January 2020	845	782	42,524	351	44,502
Credited/(charged) to profit or loss	261	(115)	6,453	(111)	6,488
At 31 December 2020 and 1 January 2021	1,106	667	48,977	240	50,990
Credited/(charged) to profit or loss	1,278	(71)	(410)	–	797
At 31 December 2021	2,384	596	48,567	240	51,787
Credited/(charged) to profit or loss	(1,948)	113	2,953	–	1,138
At 30 June 2022	436	729	51,520	240	52,925
At 31 December 2020 and 1 January 2021	1,106	667	48,977	240	50,990
Credited/(charged) to profit or loss	1,310	23	1,817	–	3,150
At 30 June 2021 (unaudited)	2,416	690	50,794	240	54,140

Deferred tax liabilities

	Unrealised profits	Right-of-use assets	Fair value adjustment on acquisition of a subsidiary	Unrealised fair value difference arising from financial assets at FVOCI	Unrealised fair value difference arising from financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	13,211	–	5,768	–	18,979
Acquisition of a subsidiary (Note 36.1(a))	–	–	16,553	–	–	16,553
Charged/(credited) to profit or loss	1,617	24,802	(3,182)	–	845	24,082
Charged to other comprehensive income	–	–	–	9,578	–	9,578
Release to equity upon disposals of financial assets	–	–	–	(8,930)	–	(8,930)
At 31 December 2019 and 1 January 2020	1,617	38,013	13,371	6,416	845	60,262
(Credited)/charged to profit or loss	(1,083)	8,530	(3,071)	–	261	4,637
Credited to other comprehensive income	–	–	–	(524)	–	(524)
Step acquisition of subsidiaries (Note 36.1(b))	–	–	–	130	–	130
At 31 December 2020 and 1 January 2021	534	46,543	10,300	6,022	1,106	64,505
(Credited)/charged to profit or loss	(214)	(1,629)	(2,068)	–	1,278	(2,633)
Credited to other comprehensive income	–	–	–	(5,884)	–	(5,884)
At 31 December 2021	320	44,914	8,232	138	2,384	55,988
(Credited)/charged to profit or loss	35	2,410	(950)	–	(1,983)	(488)
Credited to other comprehensive income	35	–	–	500	–	500
At 30 June 2022	355	47,324	7,282	638	401	56,000

	Unrealised profits	Right-of-use assets	Fair value adjustment on acquisition of a subsidiary	Unrealised fair value difference arising from financial assets at FVOCI	Unrealised fair value difference arising from financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020 and 1 January 2021	534	46,543	10,300	6,022	1,106	64,505
(Credited)/charged to profit or loss	(85)	2,351	(1,081)	–	1,394	2,579
Credited to other comprehensive income	–	–	–	(5,994)	–	(5,994)
At 30 June 2021 (unaudited)	449	48,894	9,219	28	2,500	61,090

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group did not recognise deferred tax assets in respect of estimated accumulated tax losses of approximately RMB288,902,000, RMB566,809,000, RMB944,359,000 and RMB1,176,090,000 respectively due to the unpredictability of future assessable profit streams.

The expiry date of unrecognised tax losses is as follow:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiry date in:				
2020	4,380	–	–	–
2021	21,089	20,834	–	–
2022	62,814	62,814	59,877	45,147
2023	102,051	101,934	100,377	100,332
2024	98,568	98,540	97,171	96,836
2025	–	282,687	282,181	281,146
2026	–	–	404,753	404,753
2027	–	–	–	247,876
	288,902	566,809	944,359	1,176,090

The Company

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The analysis of deferred tax assets is as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets				
– to be recovered within 12 months	109	209	239	364
– to be recovered after more than 12 months	1,327	1,698	2,062	814
	1,436	1,907	2,301	1,178
Deferred tax liabilities				
– to be recovered within 12 months	(845)	(1,107)	(1,357)	(374)
	591	800	944	804

The movements on the net deferred tax assets are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
At the beginning of year/period	–	591	800	800	944
(Charged)/credit to profit or loss	(7,916)	209	144	125	(140)
Charged to other comprehensive income	(423)	–	–	–	–
Release to equity upon disposals of financial assets	8,930	–	–	–	–
At the end of year/period	591	800	944	925	804

The movements in deferred income tax during the Track Record Period are as follows:

Deferred tax assets

	Tax losses	**Provisions**	**Lease liabilities**	**Decelerated tax depreciation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	8,210	108	5,088	70	13,476
(Charged)/credited to profit or loss	(7,365)	45	2,531	27	(4,762)
At 31 December 2019 and 1 January 2020	845	153	7,619	97	8,714
Credited/(charged) to profit or loss	261	55	(2,039)	27	(1,696)
At 31 December 2020 and 1 January 2021	1,106	208	5,580	124	7,018
Credited to profit or loss	250	33	717	–	1,000
At 31 December 2021 and 1 January 2022	1,356	241	6,297	124	8,018
Credited to profit or loss	(984)	125	(2,681)	–	(3,540)
At 30 June 2022	372	366	3,616	124	4,478
At 31 December 2020 and 1 January 2021	1,106	208	5,580	124	7,018
(Charged)/credited to profit or loss	126	48	569	–	743
At 30 June 2021 (unaudited)	1,232	256	6,149	124	7,761

Deferred tax liabilities

	Right-of-use assets	Unrealised fair value difference arising from financial assets at FVOCI	Unrealised fair value difference arising from financial assets at FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	4,969	8,507	–	13,476
Charged to profit or loss	2,309	–	845	3,154
Charged to other comprehensive income	–	423	–	423
Release to equity upon disposals of financial assets	–	(8,930)	–	(8,930)
At 31 December 2019 and 1 January 2020	7,278	–	845	8,123
(Credited)/charged to profit or loss	(2,166)	–	261	(1,905)
At 31 December 2020 and 1 January 2021	5,112	–	1,106	6,218
Charged to profit or loss	604	–	251	855
At 31 December 2021 and 1 January 2022	5,716	–	1,357	7,073
Charged to profit or loss	(2,416)	–	(984)	(3,400)
At 30 June 2022	3,300	–	373	3,673
At 31 December 2020 and 1 January 2021	5,112	–	1,106	6,218
Credited to profit or loss (Unaudited)	432	–	186	618
At 30 June 2021 (Unaudited)	5,544	–	1,292	6,836

As at 31 December 2019, 2020 and 2021 and 30 June 2022 and, the Company did not recognise deferred tax assets in respect of estimated accumulated tax losses of approximately RMB229,664,000, RMB434,809,000, RMB757,422,000 and RMB947,916,000 respectively due to the unpredictability of future assessable profit streams.

The expiry date of unrecognised tax losses is as follow:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Expiry date in:				
2020	4,380	–	–	–
2021	21,089	21,089	–	–
2022	47,578	47,578	47,578	32,781
2023	82,497	82,497	82,497	82,497
2024	74,120	74,120	74,120	74,120
2025	–	209,525	209,525	209,525
2026	–	–	343,702	330,232
2027	–	–	–	218,761
	229,664	434,809	757,422	947,916

32 Paid-in capital/share capital

The Group and the Company

	Number of ordinary share	Paid-in capital
	in thousand	*RMB'000*
At 1 January and 31 December 2019	N/A	21,901
Shares issued upon capitalisation of reserves (Note)	1,500,000	1,478,099
As at 31 December 2020 and 2021 and 30 June 2022	1,500,000	1,500,000
As at 30 June 2021	1,500,000	1,500,000

Note:

Pursuant to a shareholders' resolution passed on 10 April 2020, the Company was converted into a joint stock company with limited liability on 10 April 2020. Pursuant to the promoters' agreement dated 10 March 2020 entered into by all the then shareholders, it was approved that the net assets value of the Company as at 31 October 2019 was converted into 1,500,000,000 shares of the Company at a ratio of RMB1 per share. Pursuant to a shareholders' resolution passed on 10 April 2020, the registered capital was increased to RMB1,500,000,000.

33 Reserves

The Group

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Statutory reserve (Note b)	Other reserve (Note c)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,778,001	235,791	17,656	30,443	(2,910)	36,365	2,095,346
Comprehensive income							
Profit for the year	–	–	–	–	–	249,453	249,453
Other comprehensive income/(loss)							
Share of other comprehensive income of interests in associates and joint venture	–	–	84	–	–	–	84
Changes in the fair value of financial assets at FVOCI	–	–	38,419	–	–	–	38,419
Income tax relating to these items	–	–	(9,578)	–	–	–	(9,578)
Total comprehensive income	–	–	28,925	–	–	249,453	278,378
Transactions with owners							
Transfer of FVOCI reserve to retained earnings	–	–	(26,792)	–	–	26,792	–
Transfer to statutory reserve (Note b)	–	–	–	7,187	–	(7,187)	–
Total transactions with owners, recognised in equity	–	–	(26,792)	7,187	–	19,605	–
At 31 December 2019	1,778,001	235,791	19,789	37,630	(2,910)	305,423	2,373,724

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Statutory reserve (Note b)	Other reserve (Note c)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	1,778,001	235,791	19,789	37,630	(2,910)	305,423	2,373,724
Comprehensive income							
Profit for the year	–	–	–	–	–	49,063	49,063
Other comprehensive income							
Changes in the fair value of financial assets at FVOCI	–	–	9,629	–	–	–	9,629
Income tax relating to these items	–	–	524	–	–	–	524
Total comprehensive income	–	–	10,153	–	–	49,063	59,216
Transactions with owners							
Shares issued upon capitalisation of reserves (Note d)	(883,616)	(235,791)	–	–	–	(358,692)	(1,478,099)
Transfer of FVOCI reserve to retained earnings (Note e)	–	–	(13,605)	–	–	13,605	–
Transfer to statutory reserve (Note b)	–	–	–	7,031	–	(7,031)	–
Total transactions with owners, recognised in equity	(883,616)	(235,791)	(13,605)	7,031	–	(352,118)	(1,478,099)
At 31 December 2020	894,385	–	16,337	44,661	(2,910)	2,368	954,841

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Statutory reserve (Note b)	Other reserve (Note c)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	894,385	–	16,337	44,661	(2,910)	2,368	954,841
Comprehensive income							
Profit for the year	–	–	–	–	–	234,798	234,798
Other comprehensive (loss)/income							
Changes in the fair value of financial assets at FVOCI	–	–	(49,437)	–	–	–	(49,437)
Income tax relating to these items	–	–	5,884	–	–	–	5,884
Total comprehensive (loss)/income	–	–	(43,553)	–	–	234,798	191,245
Transactions with owners							
Transfer of FVOCI reserve to retained earnings (Note e)	–	–	(4,813)	–	–	4,813	–
Transfer to statutory reserve (Note b)	–	–	–	1,190	–	(1,190)	–
Acquisition of non-controlling interests (Note 1.1(d))	–	–	–	–	(5,774)	–	(5,774)
Total transactions with owners, recognised in equity	–	–	(4,813)	1,190	(5,774)	3,623	(5,774)
At 31 December 2021	894,385	–	(32,029)	45,851	(8,684)	240,789	1,140,312

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Statutory reserve (Note b)	Other reserve (Note c)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)							
At 1 January 2021	894,385	–	(16,337)	44,661	(2,910)	2,368	954,841
Comprehensive income							
Profit for the period	–	–	–	–	–	141,462	141,462
Other comprehensive (loss)/income							
Changes in the fair value of financial assets at FVOCI	–	–	(58,077)	–	–	–	(58,077)
Income tax relating to these items	–	–	5,994	–	–	–	5,994
Total comprehensive (loss)/income	–	–	(52,083)	–	–	141,462	89,379
Transactions with owners							
Transfer of FVOCI reserve to retained earnings (Note e)	–	–	293	–	–	(293)	–
Total transactions with owners, recognised in equity	–	–	293	–	–	(293)	–
At 30 June 2021 (unaudited)	894,385	–	(35,453)	44,661	(2,910)	143,537	1,044,220

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Statutory reserve (Note b)	Other reserve (Note c)	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	894,385	–	(32,029)	45,851	(8,684)	240,789	1,140,312
Comprehensive income							
Profit for the period	–	–	–	–	–	198,985	198,985
Other comprehensive (loss)/income							
Changes in the fair value of financial assets at FVOCI	–	–	(822)	–	–	–	(822)
Income tax relating to these items	–	–	(500)	–	–	–	(500)
Total comprehensive (loss)/income	–	–	(1,322)	–	–	198,985	197,663
Transactions with owners							
Transfer of FVOCI reserve to retained earnings	–	–	11	–	–	(11)	–
Total transactions with owners, recognised in equity	–	–	11	–	–	(11)	–
At 30 June 2022	894,385	–	(33,340)	45,851	(8,684)	439,763	1,337,975

The Company

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	1,775,525	235,791	25,522	103,744	2,140,582
Comprehensive income					
Profit for the year	–	–	–	148,618	148,618
Other comprehensive income/(loss)					
Changes in the fair value of financial assets at FVOCI	–	–	1,693	–	1,693
Income tax relating to these items	–	–	(423)	–	(423)
Total comprehensive income	–	–	1,270	148,618	149,888
Transactions with owners					
Transfer of FVOCI reserve to retained earnings	–	–	(26,792)	26,792	–
Total transactions with owners, recognised in equity	–	–	(26,792)	26,792	–
At 31 December 2019	1,775,525	235,791	–	279,154	2,290,470
At 1 January 2020	1,775,525	235,791	–	279,154	2,290,470
Comprehensive income					
Loss for the year	–	–	–	(164,553)	(164,553)
Total comprehensive income	–	–	–	(164,553)	(164,553)

	Capital reserve	Share-based payment reserve (Note a)	FVOCI reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Transactions with owners					
Shares issued upon capitalisation of reserves	(883,616)	(235,791)	–	(358,692)	(1,478,099)
Total transactions with owners, recognised in equity (Note d)	(883,616)	(235,791)	–	(358,692)	(1,478,099)
At 31 December 2020	891,909	–	–	(244,091)	647,818
At 1 January 2021	891,909	–	–	(244,091)	647,818
Comprehensive income					
Loss for the year	–	–	–	(320,738)	(320,738)
At 31 December 2021	891,909	–	–	(564,829)	327,080
At 1 January 2021	891,909	–	–	(244,091)	647,818
Comprehensive income					
Loss for the period (Unaudited)	–	–	–	(121,594)	(121,594)
At 30 June 2021 (Unaudited)	891,909	–	–	(365,685)	526,224
At 1 January 2022	891,909	–	–	(564,829)	327,080
Comprehensive income					
Loss for the period	–	–	–	(201,470)	(201,470)
At 30 June 2022	891,909	–	–	(766,299)	125,610

Notes:

(a) The share-based payment reserve represents the grant date fair value of capital awarded to employees of the Group. The Company increased its registered capital and allowed particular employees to subscribe to capital at par as awards to their performance before the Track Record Period. It has been recognised in accordance with the accounting policy set out in Note 2.23.

No share options have been granted during the Track Record Period and no outstanding options as at 1 January 2019, 31 December 2019, 2020 and 2021 and 30 June 2022.

(b) The balance is reserved by the subsidiaries in the PRC in accordance with the relevant PRC regulations. The PRC laws and regulations require companies registered in the PRC to provide for certain statutory reserve, which is to be appropriated from the net profit (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holder. PRC company is required to appropriate 10% of statutory net profits to statutory reserve, upon distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory reserve is more than 50% of its registered capital. The statutory reserve shall only be used to make up losses of the company, to expand the company's production operations, or to increase the capital of the company. In addition, a company may make further contributions to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

(c) The other reserve of the Group represents the difference between the consideration paid and the net assets acquired for the further acquisition of two partially owned subsidiaries, Baiguo Technology and Jiangxi Wangpin. After such acquisitions, Baiguo Technology and Jiangxi Wangpin became the wholly owned subsidiaries of the Company.

(d) On 10 April 2020, the Company was converted into a joint stock company with limited liability with a registered capital of RMB1,500,000,000. The Company issued and allotted 1,500,000,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the respective proportion of the then share capital held by them in the Company as at 25 March 2020. Retained earnings was capitalised and increase share capital of RMB1,478,099,000.

(e) The FVOCI reserve represents the changes in carrying amount of investments in equity instruments designated as FVOCI, net of tax, since its initial recognition. The accumulated changes in carrying amount of several financial assets at FVOCI were transferred to retained earnings upon obtaining significant influence through step acquisition on 10 December 2020 and capital injection on 28 January 2021.

34 Notes to the consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	268,681	71,710	261,980	156,409	211,581
Adjustments for:					
– Depreciation of property, plant and equipment (Note 15)	30,195	33,866	40,202	17,493	19,462
– Depreciation of right-of-use assets (Note 16)	41,592	44,544	63,314	29,303	34,237
– Amortisation of intangible assets (Note 18)	7,991	13,444	14,302	6,833	7,720
– Interest income arising from loan receivables (Note 6)	(20,739)	(31,535)	(21,120)	(11,211)	(11,107)
– Net (provision)/ reversal of impairment loss on financial assets	11,048	20,891	5,370	11,783	(754)
– Fair value losses/ (gain) on biological assets (Note 23)	241	(151)	494	(212)	714
– Fair value gains on financial assets at FVTPL (Note 26)	(46,430)	(10,553)	(9,248)	(8,250)	(7,476)
– Gain/(loss) on dissolution of associates (Note 20)	–	243	(1,248)	–	–
– Losses on disposals of property, plant and equipment (Note 34)	14,769	406	224	223	918
– Loss on dissolution of a subsidiary (Note 37)	394	–	–	–	–
– (Gain)/loss on lease termination	(2,203)	(13)	213	203	(116)
– Finance income	(3,031)	(12,192)	(24,091)	(5,137)	(15,423)
– Finance costs	44,673	52,065	78,190	33,781	43,499
– Share of (profits)/losses of associates and joint venture	7,529	9,763	(16,483)	(9,536)	(9,444)
– Impairment loss on an associate	–	26,354	–	–	–
– Re-measurement gain on interest in associates (Note 36.1(b))	–	(16,097)	–	–	–
Operating profit before changes in working capital	354,710	202,745	392,099	221,682	273,811
Changes in working capital:					
– Inventories	(38,677)	(16,417)	12,495	55,808	(16,591)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
– Biological assets	(1,270)	1,026	(2,888)	(1,733)	(634)
– Trade receivables	29,384	128,917	129,487	(2,753)	72,795
– Deposits, prepayments and other receivables	(65,217)	(79,826)	(403,343)	(364,055)	55,803
– Amounts due from associates	(1,245)	18,839	(15)	–	(973)
– Amounts due from related party	86,295	–	–	–	–
– Restricted bank deposits	(49,581)	(45,516)	2,698	(41,265)	5,374
– Trade payables	39,425	(75,695)	40,264	130,089	155,357
– Accruals and other payables	133,559	185,276	159,025	132,270	6,781
– Contract liabilities	20,671	6,837	606	(355)	(3,969)
– Amounts due to associates	6,944	(605)	(2,008)	(1,153)	(11,688)
Cash generated from operations	514,998	325,581	328,420	128,959	536,066

(b) ***Reconciliation of proceeds from disposals of property, plant and equipment***

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Net book amount (Note 15)	25,288	3,987	224	223	918
Losses on disposals of property, plant and equipment (Note 7)	(14,769)	(406)	(224)	(223)	(918)
Proceeds from disposals of property, plant and equipment	10,519	3,581	–	–	–

(c) ***Reconciliation of liabilities arising from financing activities***

	Bank borrowings	Lease liabilities	Accrual for [REDACTED] expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	554,796	188,714	–	743,510
Financing cash flows	12,929	(42,008)	–	(29,079)
Accrual of interest	29,060	15,613	–	44,673
Acquisition of a subsidiary	24,000	–	–	24,000
Non-cash – derecognition of lease liabilities upon lease termination	–	(44,464)	–	(44,464)
Non-cash – additions of lease liabilities	–	162,243	–	162,243

	Bank borrowings	Lease liabilities	Accrual for [REDACTED] expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019	620,785	280,098	–	900,883
At 1 January 2020	620,785	280,098	–	900,883
Financing cash flows	272,262	(52,037)	–	220,225
Accrual of interest	36,022	16,043	–	52,065
Non-cash – derecognition of lease liabilities upon lease termination	–	(12,240)	–	(12,240)
Non-cash – additions of lease liabilities	–	59,837	–	59,837
At 31 December 2020	929,069	291,701	–	1,220,770
At 1 January 2021	929,069	291,701	–	1,220,770
Operating cash flows	–	–	(5,856)	(5,856)
Financing cash flows	475,494	(76,101)	(2,677)	396,716
Accrual of interest	47,948	30,242	–	78,190
Non-cash – derecognition of lease liabilities upon lease termination	–	(5,831)	–	(5,831)
Non-cash – additions of lease liabilities	–	330,977	–	330,977
Non-cash – Accrual of [**REDACTED**] expenses	–	–	17,395	17,395
At 31 December 2021	1,452,511	570,988	8,862	2,032,361
At 1 January 2021	929,069	291,701	–	1,220,770
Operating cash flows	–	–	(2,438)	–
Financing cash flows	305,126	(33,188)	(1,206)	271,938
Accrual of interest	20,674	13,107	–	33,781
Non-cash – derecognition of lease liabilities upon lease termination	–	(3,836)	–	(3,836)
Non-cash – additions of lease liabilities	–	311,892	–	311,892
Non-cash – Accrual of [**REDACTED**] expenses	–	–	6,837	–
At 30 June 2021 (unaudited)	1,254,869	579,676	3,192	1,834,545
At 1 January 2022	1,452,511	570,988	8,862	2,032,361
Operating cash flows	–	–	(3,389)	(3,389)
Financing cash flows	(173,978)	(41,648)	(3,942)	(229,838)
Accrual of interest	27,061	16,438	–	43,499
Non-cash – derecognition of lease liabilities upon lease termination	–	(9,231)	–	(9,231)
Non-cash – additions of lease liabilities	–	7,588	–	7,588
Non-cash – Accrual of [**REDACTED**] expenses	–	–	9,236	19,506
At 30 June 2022	1,305,594	544,135	10,767	1,860,496

35 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	9,643	29,659	22,420	111,263
Equity investments	7,705	337,216	295,794	278,532
	17,348	366,875	318,214	389,795

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	669	2,268	3,156	3,014
Equity investments	–	30,000	500	–
	669	32,268	3,656	3,014

(b) Non-cancellable leases

The investment property is leased to tenants under lease with rental receivable monthly. For details of the leasing arrangement, refer to Note 17.

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments receivable on lease of investment property are as follows:				
Within 1 year	140	147	154	77
Between 1 and 2 years	147	154	–	–
Between 2 and 3 years	154	–	–	–
	441	301	154	77

The Group and the Company have recognised right-of-use assets for these leases, except for short-term leases, see Note 16 for further information.

Minimum lease payments under non-cancellable short-term leases not recognised in the consolidated statements of financial position are payables as follows:

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	795	866	1,000	967

The Company

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	526	572	666	197

36 Acquisitions of subsidiaries

36.1 Business combination

(a) Acquisition of Haiyang Jinchengtai

On 4 April 2019, the Group completed the acquisition of 100% equity interest of Haiyang Jinchengtai at a consideration of approximately RMB250,000,000. Haiyang Jinchengtai is principally engaged in fruit trading in the PRC. Subsequent to the completion of this acquisition, the Group has control over Haiyang Jinchengtai and classified investment in Haiyang Jinchengtai as a subsidiary with its results being consolidated.

The following table summarises the consideration paid for the acquisition of Haiyang Jinchengtai, the fair value of assets acquired and liabilities assumed at the acquisition date.

	RMB'000
Consideration paid and payable as at acquisition date	250,000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (Note 15)	36,971
Right-of-use assets	9,026
Intangible assets	39,544
Inventories	87,309
Trade receivables	39,515
Deposits, prepayments and other receivables	10,630
Cash and cash equivalents	9,283
Trade payables	(6,693)
Accruals and other payables	(65,978)
Bank borrowings (Note 28)	(24,000)
Deferred tax liabilities (Note 31)	(16,553)
Total identifiable net assets acquired	119,054
Add: Goodwill	130,946
Net assets acquired	250,000
Analysis of net outflow of cash and cash equivalents in respect of acquisition of the subsidiary:	
Cash consideration paid	250,000
Less: Cash and cash equivalents acquired	(9,283)
Net cash outflow	240,717

(a) Acquisition of Haiyang Jinchengtai

The fair value of the trade receivable acquired is RMB39,515,000 and it represents the gross contractual amount for such balance.

Haiyang Jinchengtai contributed revenue of RMB210,192,000 and net profit after tax of RMB45,311,000 to the Group for the period from 4 April 2019, the acquisition date, to 31 December 2019.

Acquisition-related costs of RMB320,000 is included in administrative expenses in profit or loss during the year ended 31 December 2019.

If the acquisitions had occurred on 1 January 2019, consolidated pro-forma revenue and net profit after tax of the Group for the year ended 31 December 2019 would have been RMB9,050,571,000 and RMB258,743,000 respectively.

(b) Step acquisition of Youguolian Brand and Younongdao Beijing

Youguolian Brand was a 30% associate of the Group before the acquisition.

On 10 December 2020, Pagoda Investment, a wholly owned subsidiary of the Company, entered into a shareholder's agreement with the other shareholders of Youguolian Brand whereby Pagoda Investment will inject additional capital of RMB60 million into Youguolian Brand (the "Capital Injection"). RMB30 million is injected to share capital and RMB30 million is injected to capital reserve. Youguolian Brand is principally investment holding. Subsequent to the completion of this capital injection, the Group (through Pagoda Investment) has effective interest of 56% in Youguolian Brand and therefore obtained control over direction of relevant activities of Yuoguolian Brand by obtaining majority of board seat. As such, Youguolian Brand is accounted as a subsidiary with its results being consolidated from 10 December 2020 onwards.

On the other hand, the Group has 46% interest in Younongdao Beijing before 10 December 2020. As Youguolian Brand holds 22% interest in Younongdao Beijing, the Group also increased its effective interest in Younongdao Beijing from 46% to 68%, 46% of which is held through Pagoda Investment and 22% is held through Youguolian Brand, upon the completion of the Capital Injection. As such, the Group also obtained control over Younongdao Beijing, and Younongdao Beijing is also accounted for as a subsidiary with its results being consolidated from 10 December 2020 onwards.

The following table summarises the capital injection for the step acquisition, the fair value of assets acquired and liabilities assumed at the acquisition date. The non-controlling interests are measured at proportionate share in the recognised amounts of identifiable net assets at the acquisition date.

	RMB'000
Consideration	
Capital Injection	60,000
Fair value of the associate shares held by the Group	34,280
	94,280
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (Note 15)	1,183
Intangible assets (Note 18)	1,520
Deferred tax assets	878
Financial assets at FVOCI (Note 21)	930
Interests in associates (Note 20)	64,468
Interests in joint ventures (Note 20)	37,860
Inventory	8,032
Trade and other receivables	7,580
Cash and cash equivalents	48,802
Trade and other payables	(6,303)
Contract liabilities	(1,178)
Tax payable	(29)
Deferred tax liabilities (Note 31)	(130)
Total identifiable net assets acquired	163,613
Add: Goodwill	678
Less: Non-controlling interest initially recognised as at acquisition date	(70,011)
Net assets acquired	94,280
Analysis of net outflow of cash and cash equivalents in respect of acquisition of the subsidiary:	
Capital injection	60,000
Less: Cash and cash equivalents acquired	(48,802)
Net cash outflow	11,198
Re-measurement gain on interest in associates	
Fair value in interest in associates	34,280
Less: Interest in associates	(18,183)
	16,097

The fair value of the trade and other receivable acquired is RMB7,580,000 and it represents the gross contractual amount for such balance.

Yonguolian Brand and Younongdao Beijing contributed minimal revenue and net profit after tax to the Group for the period from 10 December 2020, the acquisition date, to 31 December 2020.

Acquisition-related costs of RMB212,000 is included in administrative expenses in profit or loss during the year ended 31 December 2020.

If the acquisitions had occurred on 1 January 2020, consolidated pro-forma revenue and net profit after tax of the Group for the year ended 31 December 2020 would have been RMB8,898,109,000 and RMB32,996,000 respectively.

37 Dissolution of subsidiaries

During the year ended 31 December 2019, the Group wind up a subsidiary, Shenzhen Pagoda Management Consulting. Alongside the winding-up of the subsidiary, non-controlling interests of approximately RMB394,000 was derecognised. There was no net cash out flow arising from the dissolution.

38 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022, and balances arising from related party transactions as at 31 December 2019, 2020 and 2021 and 30 June 2022.

(a) Name and relationship with related companies

Save as disclosed in Note 20, the directors and shareholders of the Group are of the view that the following companies were related parties that had transactions or balances with the Group during the Track Record Period:

Name	Relationship with the Group
Mr. Yu	A major shareholder and director of the Company
Ms. Xu	A director of the Company and spouse of Mr. Yu
Ms. Fong Shun Chun ("Ms. Fong")	A director of Haiyang Jinchengtai
Mr. Tian Xiqiu ("Mr. Tian")	A director of the Company
Wangpin Pagoda Industrial Development (Shenzhen) Co., Ltd. ("Wangpin Pagoda") (王品果業實業發展(深圳)有限公司)	Under common control of Mr. Yu
Guangzhou Wangpin Trade Development Co., Ltd. (廣州王品貿易發展有限公司) ("Guangzhou Wangpin")	Under common control of Mr. Tian
Shandong Huiguo Agricultural Development Co., Ltd. (山東匯果農業發展有限公司) ("Shandong Huiguo")	Under common control of Mr. Tian
Shing Kee Lan Co., Ltd.	Under common control of Ms. Fong
FRECO Asia Co., Ltd.	Under common control of Ms. Fong
Century Global Pte Ltd.	Under common control of Ms. Fong
Shenzhen Guodaoyunxin Education Consulting Co., Ltd. (深圳果道耘心教育諮詢有限公司) ("Guodaoyunxin") (Formerly known as Shenzhen Guangmingdeng Education Consulting Co., Ltd.) (深圳廣明燈教育諮詢有限公司)	Under common control of Mr. Yu

(b) Transaction with related companies

	Year ended 31 December			Six months ended June 30	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Continuing transactions					
Sales of fruits and other food products:					
– Agriplus Co.	–	–	4	–	–
– Century Global.	3,647	3,127	2,242	1,087	1,328
– FRECO	768	539	656	256	–
– Shandong Liangzhi	–	–	1,137	630	258
– Guangdong Jinjin	–	35	20	5	–
– Guangzhou Wangpin	714	–	–	–	1,448
– Guangxi Zhencheng	–	–	1	–	–
– Guodaoyunxin	18	27	40	25	5
– Hainan Shengjie	1,842	4	9	–	–
– Liaoning Half Acre	–	–	2	2	2
– Youguolian Brand	125	–	–	–	–
– Dongguan Baiguo	229	–	–	–	–
– Nanjing Jinse Zhuangyuan	79	1,435	1,520	843	1,669
– Shanghai Niuguo	–	–	11	11	–
– Shandong Huiguo	–	–	13	13	481
– Shing Kee Lan	19,530	31,458	35,807	14,617	16,883
– Xiamen Weiyu	–	–	1	1	15
Purchase of fruits and other food products:					
– Chongqing Chunken	–	60	–	–	–
– Hainan Xinfu	–	302	–	–	–
– Guangdong Jinjin	–	9,848	14,899	13,536	–
– Guangxi Zhencheng	–	760	599	229	–
– Shanghai Niuguo	37,352	26,375	37,495	18,385	17,042
– Shandong Huiguo	29,265	122,280	115,026	66,223	68,741
– Shandong Liangzhi	21,958	31,729	35,153	16,010	23,085
– Liaoning Half Acre	–	1,203	42,611	–	24,967
– Nanjing Jinse Zhuangyuan	175,018	161,418	238,604	167,223	160,077
– Guodaoyunxin	–	–	–	–	34
– Hainan Shengjie	61,881	43,287	55,475	44,249	20,654
– Youguolian Brand	17,015	18,799	–	–	–
– Dongguan Baiguo	160	–	–	–	–
– Xiamen Weiyu	–	2,290	3,424	2,184	1,336
Interest income from loan:					
– Youguolian Brand	1,170	–	–	–	–
– Hebei Huiwenyongji	235	–	378	–	–
– Shandong Liangzhi	379	755	84	84	–
– Shanghai Niuguo	–	92	–	–	–
– Shandong Huiguo	847	2,063	1,013	1,013	–
– Hainan Shengjie	1,949	1,910	1,202	647	565
– Nanjing Jinse Zhuangyuan	83	30	–	–	–
– Xiamen Weiyu	–	47	–	–	–

The above related party transactions were carried out on terms mutually agreed between the parties. In the opinion of the directors of the Company, these transactions are in the ordinary course of business of the Group and in accordance with the term of the underlying agreements.

(c) Bank loans guaranteed by related parties

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade in nature:				
Bank loans guaranteed by Mr. Yu or jointly guaranteed by Mr. Yu, and Ms. Xu	604,000	880,000	1,424,800	1,280,000

The personal guarantees from shareholders, Mr. Yu and Ms. Xu, are expected to be released before [**REDACTED**] of the Company's Shares on [**REDACTED**].

The personal guarantee from a director, Mr. Tian, have been released during the Track Record Period.

(d) Balances with related companies

The Group had the following balances with related companies:

(i) Amounts due from associates (non-trade in nature)

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Youguolian Brand	9,507	–	–	–
Hebei Huiwenyongjie	4,000	–	–	–
Nanjing Jinse Zhuangyuan	5,083	–	–	971
Dongguan Baiguo	249	–	–	–
Beijing Guodao	–	–	15	15
Liaoning Half Acre	–	–	–	2
	18,839	–	15	988

The Group agreed to provide such funding to its associates for general working capital and business expansion purpose.

(ii) Loans to associates (non-trade in nature)

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shandong Liangzhi	–	4,002	–	–
Hainan Shengjie	33,949	25,865	12,608	18,136
	33,949	29,867	12,608	18,136

The loans to associates are unsecured, interest bearing from 6% to 12% per annum and repayable within 1 year. The carrying amount is denominated in RMB.

(iii) Amounts due to associates (trade in nature)

The Group

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shanghai Niuguo	2,265	2,102	2,986	670
Youguolian Brand	788	–	–	–
Nanjing Jinse Zhuangyuan	14,856	14,174	11,541	1,110
Hainan Shengjie	426	–	123	–
Dongguan Baiguo	160	249	–	–
Guangdong Jinjin	–	1,038	266	–
Liaoning Half Acre	–	177	412	2,272
Xiamen Weiyu	–	93	58	127
Hainan Xinfu	–	57	8	–
Shandong Liangzhi	–	–	488	15
	18,495	17,890	15,882	4,194

The ageing analysis of the amounts due to associates based on invoice dates is as follows:

	As at 31 December			As at 30 June
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 - 90 days	18,495	17,890	15,882	4,194

As at 31 December 2019, 2020 and 2021 and 30 June 2022, amounts due to associates are unsecured, interest-free and repayable on demand. The carrying amounts of balances with associates approximate their fair values and are denominated in RMB.

(e) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. During the Track Record Period, the remuneration to key management of the Group for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages and salaries	8,667	8,141	10,361	4,389	5,037
Retirement benefits costs – defined contribution plans	101	2	5	3	303
Benefits and allowances	44	117	180	37	2
	8,812	8,260	10,546	4,429	5,342

39 Amounts due from/(to) subsidiaries

As at 31 December 2019, 2020 and 2021 and 30 June 2022, amounts due from/(to) subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts of balances with subsidiaries approximate their fair values and are denominated in RMB.

40 Contingencies

As at 31 December 2019, 2020 and 2021 and 30 June 2022, there were no material contingent liabilities relating to the Group and the Company.

41 Event after the reporting period

The COVID-19 pandemic has been declared globally and has not shown any indication of its end. While the Group has considered the potential financial impact of COVID-19 in the preparation of the historical financial information, the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for the six months ended 30 June 2022 remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods.

The Group has been closely monitoring the impact from the COVID-19 on the Group's businesses to ensure the safety of employees and stable operations. Based on the information currently available, the Directors considered that there was no material adverse change in the financial or trading position of the Group up to the date of this report. However, the actual impacts may differ from these estimates as the situation continues evolving and is subject to further information becomes available.

There have been no other material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with HKFRS.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022 and up to the date of this report.

The following information does not form part of the Accountant's Report from [PricewaterhouseCoopers], Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this document, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022 as if the [**REDACTED**] had taken place on June 30, 2022.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at June 30, 2022 or at any future dates following [**REDACTED**].

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at June 30, 2022	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022**	**Unaudited pro forma adjusted net tangible assets per Share**	
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000*	*RMB* *(Note 3)*	*HK$* *(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	2,596,575	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per H Share	2,596,575	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The audited consolidated net tangible assets attributable to the owners of the Company as at June 30, 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at June 30, 2022 of approximately RMB2,837,975,000 with an adjustment for the goodwill and intangible assets as at June 30, 2022 of approximately RMB170,456,000 and RMB70,944,000, respectively.

(2) The estimated [**REDACTED**] from [**REDACTED**] are based on [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per H Share and HK$[**REDACTED**] per H Share, being low and high end of the indicative [**REDACTED**], after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] expenses of approximately RMB[**REDACTED**] which have been recognised in the consolidated statement of profit or loss prior to June 30, 2022 and takes no account of any Shares which may be issued upon exercise of [**REDACTED**]).

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares were in issue assuming that the [**REDACTED**] has been completed on June 30, 2022 but takes no account of any Shares which may be issued upon exercise of [**REDACTED**].

(4) For the purpose of this unaudited pro forma adjusted net tangible asset per Share, amounts stated in Renminbi are converted into Hong Kong dollars at a rate of RMB[0.816] to HK$1.00, as set out in the section headed "Information about this document and [**REDACTED**]" in this document. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets per Share to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2022.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

OVERVIEW

The following is a summary of certain PRC tax consequences on investors relating to the ownership of H shares by an investor who purchases such H Shares in [**REDACTED**] and holds our H shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this document does not address any aspect of the PRC or taxation other than income tax, capital tax, value-added tax, stamp duty and estate duty. [**REDACTED**] are urged to consult their tax advisors regarding the PRC and other tax consequences of [**REDACTED**] H Shares.

TAXATION IN THE PRC

Taxation on Dividends

Individual investors

According to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the "IIT Law") promulgated by the Standing Committee of the National People's Congress on June 29, 2007 and latest revised on August 31, 2018 and effective on January 1, 2019, and the Implementation Rules of the Individual Income Tax Law of the PRC promulgated by the State Council on January 28, 1994, revised on December 18, 2018 and effective on January 1, 2019, individuals are generally subject to an individual income tax levied at a flat rate of 20% of the dividends income. For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or reduced by an applicable tax treaty. Meanwhile, 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, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

Enterprises 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 was promulgated by the National People's Congress of the PRC on March 16, 2007 and latest amended by the SCNPC and effective on December 29, 2018, and the Provisions of Implementation 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 was promulgated by the State Council on December 6, 2007 and most recently amended and effective on April 23, 2019, a PRC resident enterprise is generally subject to a 25% EIT on all incomes. According to the EIT Law and its implementing rules, dividends paid to its investor which is an eligible PRC resident enterprise can be exempted from the EIT. An enterprise income tax at a rate of 10% will generally be applicable to PRC-sourced income of a non-PRC resident enterprise, granted such enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. The aforesaid income tax payable by a non-resident enterprise shall be withheld in advance and at source. The tax payer shall withhold the income tax at the rate of 10% from the amount payable or due to the non-resident enterprise, unless relevant tax agreements entered into by the PRC Government provide otherwise.

According to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (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) issued by the SAT on November 6, 2008, a PRC-resident enterprise must withhold EIT at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. A non-PRC resident enterprise which is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, directly or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the Arrangement between the Mainland of the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Incomes (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) (the "**Arrangement**") signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including natural person and legal entity) by a PRC company, but such tax shall not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax shall not exceed 5% of the total amount of dividends payable by that PRC company.

Pursuant to the Fourth 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 (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四議定書), which came into effect on December 29, 2015, states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law documents, 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).

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 (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, adds the term of "Entitlement to Benefits under the Arrangement", which represents the "principal purpose test" applicable to all arrangements and transactions, where relevant arrangements or transactions of tax payers made for the principal purpose of gaining such tax benefit in the arrangement shall not be entitled to such preferential tax treatment.

Tax treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to preferential tax rates on dividends received by such investors from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and tax computed based on the treaty rate.

Taxation on Gains from Share Transfer

Individual Investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (個人轉讓股票所得繼續暫免徵收個人所得稅) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, effective from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. After the latest amendment to the IIT Law on August 31, 2018 and its implementing rules amended on December 18, 2018 and implemented on January 1, 2019, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that IIT shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To the knowledge of the Company, in practice, the PRC tax authorities have not collected the individual income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprises Investors

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC 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) promulgated by the State Council on August 6, 1988 and latest amended and effective on January 8, 2011 PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

PRC legacy duty

The PRC currently does not impose any legacy duty.

Shanghai-Hong Kong Stock Connect Taxation Policy

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81) (the "**SH-HK Stock Connect Taxation Policy**") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connection. The SH-HK Stock Connect Taxation Policy has come into effect on November 17, 2014.

Pursuant to the SH-HK Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Pursuant to the Notice on Continuing the Application of Relevant Individual Income Tax Policies regarding the Inter-connected Mechanism of Trading on the Shanghai Stock Market and the Hong Kong Stock Market (關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知) (Cai Shui [2017] No. 78), which was issued by MOF, SAT and CSRC on November 1, 2017, the aforesaid individual income tax shall continue to be temporarily exempted from November 17, 2017 to December 4, 2019. Pursuant to the SH-HK Stock Connect Taxation Policy, Business tax will be temporarily exempted in accordance with the current policy for the spread income derived from dealing in stocks listed on Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by H-share companies at the tax rate of 20%. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection, individual income tax shall be withheld by China Securities Depository and Clearing Co., Ltd ("**CSDC**") at the tax rate of 20%. Individual investors may, by producing the tax payments document, apply for tax credit relating to the withholding tax already paid abroad to the competent tax authority of CSDC.

Pursuant to the SH-HK Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connection. Business tax will be levied or exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connection; for avoidance of doubt, the aforesaid business tax shall mean VAT due to business tax was replaced with VAT. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who trade or inherit shares listed on the Hong Kong Stock Exchange, or give such shares as gifts, through Shanghai-Hong Kong Stock Connection shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the above-mentioned stamp duty on each other's behalf.

Tax Policy of Shenzhen-Hong Kong Stock Connect

According to the Notice on the Relevant Taxation Policies for the Pilot Program of the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) jointly issued by the MOF, the SAT and the China Securities Regulatory Commission on November 5, 2016 and effective on December 5, 2016, personal income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2016 to December 4, 2019. Enterprise income tax will be levied according to law on price difference (included in total income) derived from investment by mainland enterprise investors in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect.

For dividends and bonus income obtained by mainland individual investors investing in H stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-stock companies shall apply to China Securities Depository and Clearing Co., Ltd. (the "**CSDCC**") for provision by CSDC to the H-stock companies of the register of mainland individual investors, and personal income tax shall be withheld by CSDC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDC by producing the tax credit document. For dividends and bonus income obtained by mainland securities investment funds investing in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect, personal income tax will be levied according to the aforesaid provisions.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise investors from investing in stocks listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. The H-stock companies listed on the Stock Exchange shall apply to CSDC for provision by CSDC to the H-stock companies of the register of mainland enterprise investors, and the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

MAJOR TAXES ON THE COMPANY IN THE PRC

Please see the "Regulation Overview" Section.

Administration of Foreign Exchange in the PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorization of the People's Bank of China (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 the Regulations of the People's Republic of China for the Administration of Foreign Exchange (中華人民共和國外匯管理條例) (the "Foreign Exchange Administrative Regulations") promulgated by the State Council on January 29, 1996, and latest amended and effective on August 5, 2008, which classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The latest amended (on August 5, 2008) Foreign Exchange Administrative Regulations regulates that the State does not impose restrictions on international payments and transfers under the current account items.

According to the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定) (the "Settlement Regulations") promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account 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 carries foreign exchange business or institutions that carries settlement and sale business.

State Council Circular 50

On October 23, 2014, the State Council promulgated the Decisions 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) (Guo Fa [2014] No. 50, the "Circular 50"), which 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.

SAFE Circular 54

According to the Circular on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (關於境外上市外匯管理有關問題的通知) (Hui Fa [2014] No. 54, the "Circular 54") issued by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in this document and other disclosure documents.

SAFE Circular 13

On February 13, 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for 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) ("SAFE Circular 13"), which came into effect on June 1, 2015. The SAFE Circular 13 cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. Furthermore, according to the SAFE Circular 13, new overseas enterprises established or controlled by overseas enterprises established or controlled by domestic investors through re-investment are not required to go through the foreign exchange filing procedures.

SAFE Circular 16

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (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, the "Circular 16") promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may timely adjust the above proportion based on international balance of payments.

SAFE Circular 3

On January 18, 2017, Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) (Hui Fa [2017] No. 3, the "Circular 3") was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

SAFE Circular 8

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business issued by SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments with their income under capital accounts such as capital funds, foreign debts and proceeds from overseas listing without submitting evidence of genuineness to the banks in advance, provided the use of such funds is genuine and in compliance with the current administrative regulations on the use of income under capital accounts. The concerned bank shall conduct expost checking in accordance with the relevant requirements. The local SAFE should strengthen monitoring analysis and interim and expost supervision.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "Constitution"). The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

The National People's Congress (the "NPC") and the Standing Committee of the NPC (the "Standing Committee") are empowered to exercise the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters in accordance with the Constitution and the PRC Legislation Law (《中華人民共和國立法法》). The Standing Committee formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend part of the 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 Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

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, subject to the constitution, laws and administrative regulations. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities and take the same effect after submitting to the standing committee of the people's congresses of provinces or autonomous regions for approval. The standing committee of the people's congresses of provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the constitution, laws, administrative regulations and local regulations of the province or autonomous region concerned. Where conflicts with the rules and regulations of the People's Government of the province or autonomous region concerned are identified in the examination of local regulations of larger cities by the Standing Committee of the people's congresses of provinces or autonomous regions, a decision should be made to deal with the matter. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The ministries, committees, People's Bank of China, National Audit Office of the State Council and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Matters governed by the departmental rules and regulations should be those for the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and larger cities may formulate rules based on the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

THE PRC JUDICIAL SYSTEM

According to the Constitution and the Organic Law of the People's Court of the People's Republic of China adopted on July 1, 1979 and recently amended on October 26, 2018 and effective on January 1, 2019, the judicial system of China is composed of the Supreme People's Court, the local People's Court, the military court and other special People's Courts. Local People's Courts are composed of grassroots People's Courts, intermediate People's Courts and higher People's Courts. Grassroots People's Courts may mainly set up civil, criminal, administrative, supervisory and legal enforcement departments. The structure of the intermediate People's Court is similar to that of the grassroots People's Court, and other courts may be set up as required. The high People's Court supervises the lower People's Courts. The Supreme People's Court is the highest judicial organ in China, which has the right to supervise the trial work of People's Courts at all levels and all special People's Courts. The People's Procuratorate also has the right to exercise legal supervision over the trial activities of the People's Court.

For judgment of cases, the People's Court implements the system whereby the second instance is the final instance. The parties may, in accordance with the procedures prescribed by law, appeal to the People's Court at the next higher level the decision and ruling of the first instance of the local People's Court. The People's Procuratorate may protest to the People's Court at the next higher level in accordance with the procedures prescribed by law. If the parties do not appeal or the People's Procuratorate does not protest within the period of appeal, the judgment and ruling of the first instance of the local People's Court at all levels is the final judgment and ruling with legal effect. The judgment and ruling of the intermediate People's Court, the higher People's Court and the Supreme People's Court of second instance and the Supreme People's Court of first instance are all final. Save for the judgment made by the Supreme People's Court, the death penalty shall be reported to the Supreme People's Court for approval.

The Civil Procedure Law of the PRC (the "Civil Procedure Law") passed on April 9, 1991, recently amended on December 24, 2021 and effective on January 1, 2022, prescribes the provisions for instituting a civil action, the jurisdiction of the People's Courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC shall comply with the Civil Procedure Law. In general, a civil case is heard by a court located in the defendant's place of domicile. The competent court may also be selected by express agreement amongst the parties to a contract provided that the court selected is located at the plaintiff's or the defendant's place of domicile, the place of executing or performing the contract or the object of the action. However, the provisions of this Law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or foreign enterprise is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country. If any party to a civil action refuses to comply with a judgment or ruling made by a People's Court or an award made by an arbitration tribunal in the PRC, the other party may apply to the People's Court for the enforcement of the same within a stipulated period. Should anyone be unable to execute the judgment of the People's Court within a stipulated period, as a result of any party's application, the People's Court shall enforce such a judgment in accordance with the law.

When a party seeks to enforce a judgment or ruling of a People's Court against a party who is not in China and does not own any property in China, he/she may apply to a foreign court with formal jurisdiction for recognition and enforcement of the judgment or ruling. If the People's Court recognizes the validity of a legally effective judgment or ruling made by a foreign court applying for or requesting recognition and enforcement in accordance with an international treaty concluded or acceded to by China, or after reviewing in accordance with the principle of reciprocity, and considers that it does not violate the basic principles of the law in the PRC or national sovereignty, security or social and public interests, an enforcement order will be issued if enforcement is necessary, and relevant provisions shall be implemented. The People's Court shall not recognize and enforce those who violate the basic principles of the law in the PRC or the sovereignty, security or public interests of the state.

The PRC Company Law, Special Regulations, the Mandatory Provisions and the Formal Reply

The Company Law of the People's Republic of China (the "PRC Company Law") was adopted by the 5th meeting of the Standing Committee of the 8th National People's Congress Session on December 29, 1993 and implemented on July 1, 1994. It was latest amended and implemented on October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (the "Special Regulations") were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994. The Special Regulations include the relevant regulations in respect of the overseas share subscription and listing of joint stock limited companies.

The Mandatory Provisions of the Companies Seeking Overseas Listing (the "Mandatory Provisions") jointly promulgated by the former Securities Commission of the State Council and the former State Commission for Restructuring the Economic System and implemented on August 27, 1994 prescribe that the provisions should be incorporated in the Articles of Association of joint stock limited companies to be listed in overseas stock exchanges. Accordingly, the contents required by the Mandatory Provisions have been incorporated in the Articles of Association.

Pursuant to the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies issued by the State Council on October 17, 2019 (the "Formal Reply") (《國務院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》), the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting of companies registered in China and listed abroad are in accordance with the relevant regulations of the PRC Company Law and the Special Regulations shall no longer apply.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations, the Mandatory Provisions and the Formal Reply.

General

A "joint stock limited company" (the "company") refers to a corporate legal person incorporated in China under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

The state-owned enterprise reorganized as a company must abide by the conditions and requirements of specific laws and administrative regulations in terms of the revision of its operating mechanism, the systematic treatment and evaluation of the assets and liabilities of the company and the establishment of internal management organization.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. The remaining shares may be offered for sale to the public or specific persons, unless otherwise provided by laws.

For companies incorporated by way of promotion, the registered capital is the total amount of share capital subscribed by all promoters registered with the company registration authority. No capital may be raised from others until the capital subscribed by the promoters has been fully paid up. Where a company is established by means of public offering, the registered capital shall be the total amount of paid up capital registered with the company registration authority.

The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies, and shall notify all subscribers or announce the date of convening the founding meeting 15 days before the founding meeting.

The founding meeting can only be convened in the presence of shareholders holding more than 50% of the total issued shares of the company. The founding meeting deals with the adoption of the Articles of Association drafted by the promoters and the election of the members of the board of directors and the supervisory board. All resolutions of the founding meeting shall be approved by more than half of the voting rights of the subscribers present at the meeting.

Within 30 days of the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. A company is formally established and has the capacity of a legal person after approval of registration has been given by the relevant administration for industry and commerce and a business license has been issued.

After the establishment of the company, if the promoters fail to make full capital contributions in accordance with the Articles of Association, the other promoters shall bear joint and several liability. If it is found that the actual amount of the non-monetary property as the capital contribution for the establishment of the company is significantly lower than the book value specified in the Articles of Association, the promoters who deliver the capital contribution shall make up the difference; other promoters shall bear joint and several liability.

A company's promoter shall be liable for the followings:

the debts and expenses incurred in the establishment process jointly and severally if the company cannot be incorporated;

the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

In the process of establishing a company, if the interests of the company are damaged due to the breach of contract of the promoters, the company shall be liable for compensation.

Share Capital

The promoters of the company may contribute in cash or in currency and in kind (such as intellectual property rights or land use rights) that can be transferred under the law in accordance with the assessed value. However, the property that cannot be used as capital contribution as stipulated by laws or administrative regulations is excluded.

If a capital contribution is made other than cash, a valuation of the assets contributed shall be carried out pursuant to the provisions of the laws or administrative regulations on valuation, which can be transferred into share capital. Non-monetary property as capital contribution shall be appraised and verified, without any overvaluation or under-valuation. If laws or administrative regulations provide for the evaluation and valuation, such provisions shall prevail.

The company may issue registered or bearer shares. However, shares issued to a promoter or corporation shall be registered shares, and shall be registered in the name of the promoter or corporation and shall not be registered in a different name or in the name of a representative.

The Special Regulations and Mandatory Provisions stipulate that the shares listed overseas and issued to foreign investors shall be issued in registered form, and shall be valued in RMB and subscribed in foreign currency.

According to the Special Regulations and Mandatory Provisions, the shares issued to foreign investors and investors in Hong Kong, Macao and Taiwan are regarded as overseas listed foreign shares, while the shares issued to investors in China (excluding the above regions) are regarded domestic shares.

With the approval of the Securities Regulatory Department of the State Council, the company may offer shares to the public outside the country, and the State Council shall make Special Regulations. According to the Special Regulations, the company may, with the approval of CSRC, agree to retain no more than 15% of the total number of foreign shares to be issued in addition to the number of underwriting shares in the underwriting agreement concerning the issuance of foreign shares to be listed overseas.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For each share, the conditions and price per share shall be the same. The same price shall be paid for each share subscribed by any unit or individual. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value. The shares issued by a joint stock limited company may be registered or unregistered.

The transfer of shares by shareholders shall be carried out in a stock exchange established in accordance with the law or in other ways prescribed by the State Council. The transfer of registered shares by shareholders shall be carried out by endorsement or other means as required by laws or administrative regulations. The transfer of bearer shares shall be made by delivery of the shares to the transferee.

The promoters of a company shall not transfer their shares within one year after the date of incorporation of the company. The shares issued by the company prior to the public offering of shares shall not be transferable within one year from the listing date of the shares on the stock exchange. During the term of office, the directors, supervisors and senior management of the company shall not transfer more than 25% of the shares of the company held by each of them, and shall not transfer any shares of the company held by each of them within one year from the listing date of the company. The Company Law of China does not limit the proportion of shares held by a single shareholder.

No transfer of shares shall be registered in the register of members within 20 days prior to the general meeting or within 5 days prior to the base date on which the company decides to distribute dividends.

Increase in Share Capital

Under the PRC Company Law, the company's plan to increase its capital by issuing new shares shall be approved by the shareholders in the general meeting. In addition to the above provisions, which shall be approved by the shareholders, the securities law of the People's Republic of China (the "Securities Law") stipulates that the company's public offering of new shares shall meet the following conditions: (i) have a perfect organization with good operating records; (ii) have sustained operation capacity; (iii) the auditor has issued non-qualified audit reports for the company's financial accounting documents for the past three years; (iv) the issuer and its controlling shareholder(s), actual controlling party do not have criminal record during the past three years for corruption, bribery, encroachment of assets, misappropriation of assets or disruption of socialist market economy order; and (v) meet other requirements specified by the securities regulatory authority of the State Council approved by the State Council.

The public offering shall be subject to the securities regulatory authority of the State Council.

After the new shares have been issued and fully paid, the company shall go through the change registration with the company registration authority and issue a corresponding announcement.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and inventory list of assets;

(ii) the reduction of registered capital shall be approved by shareholders at general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish the relevant announcement in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) creditors of the company may require the company to pay its debts or provide debt guarantee within the statutory time limit. The creditors of the company may require the company to repay its debts or provide guarantees for covering the debts within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she/it has not received any notification; and

(v) the company shall apply to company registration authority for the registration of reduction of registered capital.

Repurchase of Shares

A company shall not purchase its own shares except under any of the following circumstances:

(i) Reducing the registered capital of the company.

(ii) Merging with another company that holds its shares.

(iii) Using shares for employee stock ownership plan or equity incentives.

(iv) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' meeting on the combination or division of the company.

(v) Using shares for converting convertible corporate bonds issued by the listed company; or

(vi) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (i) and (ii) of the preceding paragraph 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 (iii), (v) and (vi) of the preceding paragraph may, pursuant to the bylaws 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 pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (i), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (ii) or (iv), transfer or cancel them within six months; and while under the circumstance set forth in item (iii), (v) or (vi), 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 according to the Securities Law of the People's Republic of China. A listed company purchasing its own shares under any of the circumstances set forth in items (iii), (v) and (vi) of paragraph 1 of this article shall carry out trading in a public and centralized manner.

The company shall not accept the shares of the company as the subject matter of the pledge.

Transfer of Shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting of shareholders or within 5 days before the record date of dividend distribution determined by the company, the above-mentioned register of shareholders shall not be changed. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee. The shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors and management personnel of the company.

Shareholders

The Company's Articles of Association prescribe the rights and obligations of shareholders and are binding on all shareholders. According to the PRC Company Law and the Mandatory Provisions, shareholders of the Company's ordinary shares are entitled to the following rights:

(i) To attend the general meeting in person or by proxy and exercise the right to vote on the number of shares held;

(ii) transfer its shares in accordance with applicable laws and regulations and the company's Articles of Association;

(iii) to inspect the company's Articles of Association, register of shareholders, counterfoil of creditor's rights, minutes of shareholders' meeting, resolutions of the board of directors, resolutions of the supervisory board and financial and accounting reports, and to put forward suggestions or questions on the company's business operation;

(iv) if any director or management personnel damages the shareholders' rights and interests due to violation of laws, administrative regulations or the Articles of Association, the shareholders may bring a lawsuit to the People's Court;

(v) Receive dividends and other distributions according to the number of shares held;

(vi) to acquire the remaining assets of the company in proportion to its shareholding at the time of termination or liquidation; and to claim damages from other shareholders who abuse their rights; and

(vii) Any other shareholder's rights specified in the company's Articles of Association.

The obligations of the shareholders include to abide by the Articles of Association of the company, to pay the subscription amount for the subscribed shares, to bear the debts and liabilities of the company to the extent of the subscription amount agreed by the shareholders for the subscribed shares, not to abuse the rights of the shareholders to damage the interests of the company or other shareholders of the company, and not to abuse the independent status and limited liability of the company as a legal person to damage the interests of the creditors of the company, and any other shareholder's obligations under the company's Articles of Association.

General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and replace and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board of directors;

(iv) to review and approve the reports of the supervisory board;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to review and approve on any increase or reduction of the company's registered capital;

(viii) to review and approve the issue of corporate bonds;

(ix) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form and other items;

(x) to amend the company's Articles of Association; and

(xi) to exercise any other authority stipulated in the Articles of Association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(ii) the outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(iv) the board deems necessary;

(v) the supervisory board proposes to hold; or

(vi) any other circumstances as provided for in the Articles of Association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice-chairman. In the event that the vice-chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. 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. A single shareholder who holds, or several shareholders who jointly hold, three percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The general meeting shall not make any resolution in respect of any matter not set out in the above-mentioned two types of notices. Holders of bearer share certificates who wish to attend a general meeting shall deposit their share certificates with the company five days before the meeting and till the conclusion of the meeting.

The PRC Company Law has no specific provisions on the quorum of shareholders to attend the general meeting of shareholders.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Under the PRC Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by the appointed representative), with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by the appointed representative).

The shareholders may entrust the entrusted representative to attend the general meeting of shareholders, and the power of attorney shall specify the scope of exercising the voting right.

The PRC Company Law has no specific provisions on the quorum of shareholders. However, the Special Regulations and the Mandatory Provisions provide that the company may hold an annual general meeting if it receives a reply from shareholders who hold 50% or more of the voting rights of the company 20 days before the expected date of the annual general meeting. If the voting power does not reach 50%, the company shall notify the shareholders of the matters to be considered, the date and place of the meeting in the form of announcement within five days after the last day of receiving the reply before holding the annual general meeting. A class general meeting shall be held when the Mandatory Provisions require the alteration or exemption of the rights of a class of shares. In this regard, the holders of domestic shares and overseas listed foreign shares are regarded as different types of shareholders.

Board

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board may include staff representatives. The term of a director shall be stipulated in the PRC Company Law, provided that no term of office shall last for more than three years.

The board of directors shall meet at least twice a year. The notice of the meeting shall be sent to all directors and supervisors at least ten days before the meeting. The board of directors may prescribe the method and period of notice for convening the interim meeting of the board of directors.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the Articles of Association. In addition, the Mandatory Provisions stipulate that the board of directors shall also be responsible for the formulation of the company's amendment plan to the Articles of Association. The meeting of the board of directors can be held only when half of the directors are present. Half of the directors shall approve the resolution of the board of directors. If a director fails to attend a meeting of the board of directors, he may entrust another director to attend the meeting on behalf of him by a power of attorney which specifies the scope of his authority.

If a resolution of the board of directors violates the laws, administrative regulations or the Articles of Association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person who is unable or has limited ability to undertake any civil liabilities;

(ii) a person who has been convicted for corruption, bribery, misappropriation of property or disruption of the order of socialist market economy and a five-year period has not lapsed since expiry of the execution period or a person who has been stripped of political rights for being convicted of a crime and a five-year period has not lapsed since expiry of the execution period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

(v) a person who is liable for a relatively large amount of debts that are overdue; or

(vi) other circumstances of ineligibility to serve as a director of the company are specified in the mandatory provisions (the Articles of Association have been included, and the summary is contained in "Appendix V — Summary of the Articles of Association").

The board of directors shall appoint a chairman, who shall be elected with the approval of more than half of all directors. The chairman of the board of directors shall exercise the following functions and powers:

(i) preside over the General Meeting of shareholders and convene and preside over the meeting of the board of directors; and

(ii) check the implementation of board resolutions.

According to the Mandatory Provisions, the legal representative of the company is the chairman of the board of directors. The Special Regulations stipulate that the directors, supervisors, managers and other senior personnel of the company shall bear the responsibility of trustworthiness and diligence. They shall faithfully perform their respective duties and safeguard the interests of the company, and shall not take advantage of their positions for personal gains. The Articles of Association have been included in the mandatory provisions, and the summary of which is set out in "Appendix V — Summary of the Articles of Association" for a detailed description of the above responsibilities.

The directors shall be responsible for the resolutions of the board of directors. If the resolution of the board of directors violates laws, administrative regulations, the Articles of Association or the resolution of the general meeting of shareholders and causes serious losses to the company, the directors participating in the resolution shall be liable for compensation to the company. However, the director may be exempt from liability if it is proved that he/she expressed his/her objection at the time of voting and recorded in the minutes of the meeting.

Supervisors and Supervisory Board

A company shall have a supervisory board composed of not less than three members. Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the Articles of Association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third. Directors and senior management shall not act concurrently as supervisors.

The supervisory board may exercise its powers under the PRC Company Law:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the Articles of Association or resolutions of the shareholders' general meetings;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel; and

(vii) to exercise any other authority stipulated in the Articles of Association. The above disqualification as a director of the company shall also apply to the supervisor of the company with necessary modifications.

According to the Special Regulations, the directors and supervisors of the company shall bear the fiduciary responsibility. They shall faithfully perform their duties and safeguard the interests of the company, and shall not use their positions for personal gain.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

The supervisory board shall meet at least once every six months. The supervisor may propose to hold an extraordinary meeting of the supervisory board. According to the PRC Company Law, the resolution of the supervisory board shall be adopted by more than half of the supervisors. However, according to the letter of opinions on supplementary amendment to the Articles of Association of Listed Companies in Hong Kong issued by the CSRC on April 3, 1995, the resolution of the supervisory board shall be adopted by more than two-thirds of the supervisors. Each supervisor has one vote on the resolution to be approved by the supervisory board. The supervisory board shall make minutes of the meeting on the matters discussed, and the supervisors attending the meeting shall sign and endorse the minutes.

The supervisory board shall appoint a chairman and may appoint a vice-chairman. The chairman and the vice-chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice-chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice-chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over supervisory board meetings.

Manager and Other Senior Management Personnel

"Senior management" refers to the company's manager, deputy manager, person-in-charge of finance, secretary to the board of directors of the listed company and other personnel specified in the Articles of Association.

The company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and exercise the following functions and powers:

(i) to manage the production and operation and administration of the company and arrange for the implementation of the resolutions of the board of directors;

(ii) to arrange for the implementation of the company's annual operation plans and investment proposals;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company; to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board of directors);

(vii) attend meetings of the board of directors as non-voting participants; and

(viii) other powers granted by the board of directors or the company's Articles of Association.

According to the Special Regulations and Mandatory Provisions, other senior management personnel of the company include the person in charge of finance, the Secretary of the board of directors and other administrative personnel specified in the Articles of Association of the company. The disqualification of a director of a company shall also apply to the managers and officers of the company. The company's Articles of Association are binding on the company's shareholders, directors, supervisors, managers and other management personnel. Such persons shall have the right to exercise their respective rights, apply for arbitration and conduct legal proceedings in accordance with the Articles of Association of the company. The requirements of the Mandatory Provisions in relation to the senior management of the company have been included in the Articles of Association (its summary is set out in "Appendix V — Summary of the Articles of Association").

Duties of Directors, Supervisors and Senior Management Personnel

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, administrative regulations and the Articles of Association, and carry out their duties of loyalty and diligence. In addition, they are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

(i) misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(iii) loaning company funds to others or providing guarantees in favor of others supported by company's property in violation of the Articles of Association or without approval of the general meeting or the board of directors;

(iv) entering into contracts or transactions with the company in violation of the Articles of Association or without approval of the general meeting;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating businesses similar to that of the company for their own benefits or on behalf of others without approval of the general meeting;

(vi) accept the commission of the transaction between others and the company as his own;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) other acts in violation of their duty of loyalty to the company. The directors, supervisors and senior management of the company shall also be responsible for the confidentiality of the company.

A director, supervisor or senior management who contravenes law, administrative regulation or Articles of Association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, manager and other senior management shall have duty of loyalty to the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits.

Where the general meeting of shareholders requires directors, supervisors or other senior management personnel to attend the meeting as non-voting delegates, the directors, supervisors or other senior management personnel shall attend as non-voting delegates and accept the shareholders' questions. The directors and senior management personnel shall truthfully provide the supervisory board with relevant information and materials, and shall not hinder the supervisory board from exercising its functions and powers.

The company shall not directly or through its subsidiaries provide loans to any director, supervisor or senior management personnel, and shall regularly disclose to the shareholders the remuneration of the director, supervisor or senior management personnel from the company.

Finance and Accounting

The company shall establish financial and accounting systems in accordance with laws, administrative regulations and the provisions of the competent financial department of the State Council, prepare financial reports at the end of each financial year, and review and verify them in accordance with the law.

The financial statements of the company shall be available for inspection by the shareholders of the company at least 20 days before the annual general meeting. A company incorporated by public offering shall publish its financial statements.

The company's accumulation fund includes statutory surplus accumulation fund, discretionary accumulation fund and capital accumulation fund. When the company distributes the annual profit after tax, 10% of the profit after tax shall be allocated to the company's statutory surplus reserve (unless the reserve has reached 50% of the company's registered capital). After the company allocates its profit after tax to the statutory accumulation fund, it may allocate funds to any accumulation fund subject to the resolution of the general meeting of shareholders.

If the company's statutory surplus reserve is insufficient to cover the company's losses of the previous year, the company's profits of the current year shall be used to cover the losses before being distributed to the statutory surplus reserve.

The profit balance of the company after making up the losses and withdrawing the statutory surplus reserve may be distributed to the shareholders in accordance with the shareholding ratio of the shareholders, unless otherwise specified in the Articles of Association of the company limited by shares.

The company's capital reserve consists of a premium over the par value of the company's shares at the time of issuance and other amounts that are required by the relevant government authorities to be treated as capital reserve.

The company's provident fund can be used for the following purposes:

(i) indemnify the company's losses, excluding the capital reserve;

(ii) to expand the business of the company; and

(iii) increase the registered capital of the company by issuing new shares or increasing the par value of the shares currently held by the shareholders in accordance with their existing shareholding ratio in the company. If the statutory surplus reserve is converted into the registered capital, the balance of the statutory surplus reserve after conversion shall not be less than 25% of the registered capital of the company before conversion.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

According to the Special Regulations, a company shall engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company.

The term of office of the auditor shall be from the end of the annual general meeting to the end of the next annual general meeting. Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting or the board of directors in accordance with the Articles of Association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

If the company dismisses or does not continue to employ auditors, it shall notify the auditors in advance in accordance with the Special Regulations, and the auditors have the right to present their opinions to the general meeting of shareholders. The appointment, removal or non-renewal of auditors shall be decided by the shareholders at the shareholders' meeting and shall be filed with the CSRC.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Profit Distribution

The PRC Company Law require that a company shall not distribute profits before accumulated losses are covered and the statutory common reserve fund is provided. According to the Special Regulations, any dividend and other distribution to holders of overseas-listed foreign shares shall be declared and calculated in RMB and paid in foreign currency. The Mandatory Provisions require that a company shall make foreign currency payments to shareholders through receiving agent.

Amendments to the Articles of Association

The amendments to Articles of Association of the Company shall be made in accordance with the procedures stipulated in the Articles of Association of the Company. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory authority of the State Council authorized by the State Council. The amendment to articles of association involving matters of company registration must be registered with applicable laws.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the company's Articles of Association has expired or other events of dissolution specified in the company's Articles of Association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business license of the company is revoked or the company is ordered to close down or to be revoked in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

The company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee to administer the liquidation within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting.

If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to establish a liquidation committee.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. The liquidation committee may exercise following powers during the liquidation:

(i) to sort out the company's property and to prepare a balance sheet and an inventory of property;

(ii) to notify creditors or publish announcements;

(iii) to deal with the company's outstanding business related to the liquidation;

(iv) to pay any unpaid tax;

(v) to settle the company's claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

If the property of the company is sufficient to pay off the debts, it shall be used to pay the liquidation expenses, wages owed to the employees and labor insurance expenses, overdue taxes and debts of the company. The remaining part of the company's property shall be distributed to the shareholders in proportion to shares held by them in the company.

During the liquidation period, the company cannot conduct operating activities that are not related to the liquidation.

If the liquidation committee becomes aware that the Company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over all the administration related to liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation. The liquidation report shall then be submitted to the company registration authority to cancel the Company's registration, and an announcement of its termination shall be published.

Members of the liquidation committee are required to discharge their duties in good faith and perform their obligation in compliance with laws. Members of the liquidation committee are liable to indemnify the Company and its creditors in respect of any loss arising from their willful or material default.

Loss of Share Certificates

A shareholder may, in accordance with the relevant provisions set out in the Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen or lost, for a declaration that such certificate(s) will no longer be valid. After the declaration that such certificate(s) will no longer be valid, the shareholder may apply to the Company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding the loss of share certificates of H share certificates (the Articles of Association are included and are set out in "Appendix V — Summary of the Articles of Association").

Merger and Division

The company may be merged by absorption or by the establishment of a new merged entity. If the company adopts absorption merger, the absorbed company shall be dissolved. If the companies merge by forming a new company, both companies shall be dissolved.

A merger agreement shall be signed by merging companies respectively and prepare balance sheets and inventory of property. The companies concerned shall within 10 days of the date of passing the resolution approving the merger notify their creditors and publicly announce the merger in newspapers within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle debts or provide relevant guarantees. When the company merged, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

When the company divided, the company's property shall be divided and a balance sheet and an inventory of property shall be prepared. The company should notify its creditors within 10 days of the date of making such resolution and publicly announce the division in newspapers within 30 days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies. However, unless otherwise agreement in writing is reached with creditors before the company's division in respect of the settlement of debts.

Securities Laws and Regulations

China has promulgated a number of laws and regulations on share issuance and trading as well as information disclosure. In October 1992, the State Council established the Securities Commission and the China Securities Regulatory Commission. The Securities Commission shall be responsible for coordinating the drafting of relevant laws and regulations on securities, formulating policies on securities matters, planning the development of the securities market, guiding, coordinating and supervising all institutions involved in securities matters in China, and managing the CSRC. The China Securities Regulatory Commission is the regulatory body under the Securities Commission responsible for drafting regulations on the supervision of the securities market, supervising securities companies, supervising the public issuance of securities by Chinese companies in China or abroad, managing securities trading, compiling statistics on securities, and conducting research and analysis. In 1998, the Securities Commission of the State Council was abolished by the State Council and its functions were undertaken by the CSRC. The CSRC is also responsible for the regulation and supervision of the national stock and futures markets in accordance with relevant laws, regulations and authorities.

The Securities Law took effect on July 1, 1999 and was updated on December 28, 2019 and took effect on March 1, 2020. It was the first national securities law in the PRC, and it is divided into 14 chapters and 226 articles, which including the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of securities regulatory authorities. The Securities Law comprehensively regulating activities in the PRC securities market. Article 224 of the Securities Law stipulates that domestic enterprises issuing securities directly or indirectly abroad or listing and trading their securities abroad shall comply with the relevant provisions of the State Council. Article 225 of the Securities Law stipulates that the specific terms for subscription and transaction of shares of companies in the PRC in foreign currencies shall be separately stipulated by the State Council. Currently, the issue and trading of foreign issued securities (including H shares) are principally governed by the regulations and rules promulgated by the State Council and CSRC.

Overseas Listing

The shares of a Company shall only be listed overseas after obtaining approval from the securities regulatory authority under the State Council, and the listing must comply with the procedures prescribed by the State Council.

Pursuant to the Special Regulations, for the plans of companies that have been approved by the securities regulatory authority under the State Council to issue foreign-listed and domestic-listed shares, the board of directors of the company may, within 15 months from the date of obtaining the approval of the CSRC, implement separate issuance arrangements.

Suspension and Termination of Listing

All provisions for suspension and termination of listings have been removed from the PRC Company Law. The Securities Law removes the provisions regarding the suspension of listings while stating the following provisions for the termination of listings:

(i) securities to be listed for trading shall be terminated from listing by the stock exchange in accordance with the business rules where the circumstances leading to the termination of listing as prescribed by such stock exchange occurs;

(ii) where a termination of listing for securities is determined by the stock exchange, an announcement shall be made in a timely manner and the record shall be filed with the securities regulatory authorities of the State Council;

(iii) in the event of objection to a decision of disapproval or termination of listing made by the stock exchange, an application may be submitted to a review institution established by the stock exchange for review.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "**Arbitration Law**") was enacted by the Standing Committee of the NPC on August 31, 1994, which was amended on September 1, 2017. It is applicable to where the parties have agreed in writing to submit the dispute to arbitration in respect of the contract and other property in accordance with the arbitration, which is constituted under the Arbitration Law, and the parties to the dispute shall be natural persons, legal persons and other organizations. The Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. If the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle the relevant case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the Company, in the case of the Listing Rules, also in contracts between the Company and each director or supervisor, to submit the dispute or claim to arbitration in the event of any dispute or claim between the holder of H shares and the Company, and the holder of H shares and its directors, supervisors or officers; or any dispute or claim arising out of the affairs of the Company or the Articles of Association of the Company, the PRC Company Law or any other relevant laws and administrative regulations.

Where a dispute or a claim for rights referred to in the preceding paragraph is submitted to arbitration, the entire claim or dispute shall be submitted to arbitration and all persons having cause of action on the same factual basis as the dispute or claim, persons who may be required to participate in the settlement of the dispute or claim (if such persons are shareholders, directors, supervisors or officers of the Company) shall be subject to arbitration. Disputes relating to the identity of shareholders and the Company's register of shareholders need not be resolved through arbitration.

The claimant may choose to arbitrate in accordance with its arbitration rules in the China International Economic and Trade Arbitration Commission ("**CIETAC**") or in accordance with its securities arbitration rules in the Hong Kong International Arbitration Center ("HKIAC"). Once the claimant has submitted the dispute or claim to arbitration, the other party is also subject to arbitration by an arbitration body of the claimant's choice. If the party seeking arbitration elects to arbitrate at the HKIAC, then either party to the dispute or claim may apply to be heard in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The People's Court may refuse to enforce the arbitral award rendered by the arbitration if there is any procedural irregularity provided for by law or in the composition of the arbitrators, or if the arbitral award is beyond the scope of the arbitration agreement or the jurisdiction of the arbitration commission, the People's Court may refuse to enforce the arbitral award rendered by the arbitration.

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. Under the New York Convention, all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced. However, under certain circumstances, including conflicts between enforcement of arbitral awards and the public policy of the country where the application for enforcement was made, States parties to the New York Convention had the rights to refuse enforcement of arbitral awards. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

In June 1999, an arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The new arrangement was approved by the Supreme People's Court and the Legislative Council of Hong Kong and went into effect on February 1, 2000. The arrangements reflects the spirit of the New York Convention. Under this arrangement, the awards made by Chinese arbitral authorities under the Arbitration Law may be enforced in Hong Kong and Hong Kong arbitral awards made under the Hong Kong Arbitration Ordinance may also be enforced in China.

MAJOR DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. 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 public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the Company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no overvaluation or undervaluation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Equity and Transfer of Shares

Generally, our A Shares are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Shanghai Stock Exchange, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Hong Kong Stock Exchange, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of 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 in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. The joint stock limited liability Company's directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The Articles of Association of the Company may set other restrictive requirements on the transfer of a Company's shares held by its directors, supervisors and senior management of the Company. There are no restrictions on shareholdings and transfers of shares under Hong Kong law except that after [**REDACTED**] (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on controlling shareholders' disposal of Share.

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 on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting. However, the Special Regulations and the Mandatory Provisions provide that a general meeting of the shareholders of the Company may not be convened until at least 20 days before the proposed date of the meeting has been met by receipt of a reply letter from the shareholders holding at least 50% of the voting shares of the representatives to the notice of the meeting, or if the number does not reach the above 50% level, the Company must notify the shareholders by public notice within five days before the shareholders 'meeting can be convened. Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions on the circumstances and approval procedures for the change of rights deemed to be class shares. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V — Summary of the Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the Articles of Association relating to the above variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval or within the valid period of the approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements; and (iii) after the Company issue and list H shares overseas, the shareholders of the Company will list their unlisted shares overseas for trading with the approval of the State Council or the Securities Regulatory Authority of the State Council.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory board to initiate proceedings in the people's court. In the event that the supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory board 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.

In addition, the Mandatory Provisions provide the Company with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. 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.

Supervisory Board

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory board. There is no mandatory requirement for the establishment of a supervisory board for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the Company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the Company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese accounting standards for enterprises, 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 China accounting standards for enterprises.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the 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 on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the Board will become 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 that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such shareholders dividends declared and other payable monies owed by the Company in respect of its overseas listed foreign shares.

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 pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, the joint stock limited company merger, division, dissolution of the company or the conversion of the corporate form has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, the joint stock limited company is required to withdraw equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission, at the claimant's choice. Such arbitration is final and conclusive.

Under the Hong Kong International Arbitration Centre rules, either party may, upon application, hear a case in Shenzhen involving a company incorporated in China but listed on the Hong Kong Stock Exchange, so that the Chinese and the witnesses can attend. If either party applies to be heard in Shenzhen and the arbitral tribunal is satisfied that the application is genuine and that all parties (including witnesses and arbitrators) may enter Shenzhen to attend the hearing, the arbitral tribunal may order the hearing to be held in Shenzhen. If the Chinese party or a person other than its witness or arbitrator is not allowed to enter Shenzhen, the arbitral tribunal shall order the hearing to be conducted in any practicable manner, including the use of electronic media. For the purposes of the securities arbitration rules, a Chinese party means a person residing in China (excluding Hong Kong, Macao and Taiwan) who is not a member of the Hong Kong International Arbitration Centre.

Remedies of a 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 should be responsible to the company for such damages. In addition, The Listing Rules require the Articles of Association of the listed company to contain remedies 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) have been set out in the Articles of Association.

Dividends

Pursuant to PRC laws, the Company in certain circumstances shall have rights to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The Company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

OVERVIEW

The following is a summary of the major terms of the Articles of Association as adopted and amended at the shareholders' general meeting of the Company held on February 8, 2022. As stated in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VII to this document, the Chinese text of the summary of the Articles of Association is available for reference.

Shareholders

Rights of Holders of Ordinary Shares

A holder of ordinary Shares of the Company shall have the following rights:

(I) to receive dividend and distributions in other forms in accordance with the Shares held;

(II) to request, convene, hold, participate or appoint a proxy to attend shareholders' general meetings and to exercise the voting rights in accordance with the shareholding;

(III) to supervise and manage business operations of the Company and to raise proposals or address advice or inquiries accordingly;

(IV) to transfer, donate or pledge the shares held by him/her pursuant to the provisions of laws, administrative regulations and the Articles of Association;

(V) to obtain information pursuant to the provisions of the Articles of Association, including:

1. obtaining a copy of the Articles of Association after paying reasonable fees;

2. having the right to inspect or copy the following documents after paying reasonable fees:

    (1) copies of register of all parts of the shareholders;

    (2) personal information of directors, supervisors and senior management of the Company;

    (3) report on the status of the issued share capital of the Company;

    (4) the Company's latest audited financial statements and the reports of the directors, auditors and supervisors;

(5) special resolutions of the Company;

(6) reports regarding the number, par value, the highest price and the lowest price with respect to each type of the shares of the Company repurchased by the Company since the last fiscal year as well as the total amount paid by the Company for such repurchase (with a breakdown between domestic shares and foreign shares);

(7) minutes of general meeting (for shareholders' review only);

(8) counterfoils of corporate bonds.

The Company shall keep the documents as referred to in (1) to (7) above (excluding (2)) and other applicable documents pursuant to the requirements of the Listing Rules on the main board at its Hong Kong address for free inspection of the public and holders of foreign listed shares.

In the event that the contents of documents to be referred or copied involve business secrets and inside information of the Company as well as personal privacy of relevant personnel, the Company may reject such provision.

(VI) to participate in the distribution of the remaining assets of the Company as per their shares in the event of termination or liquidation of the Company;

(VII) to exercise other rights specified by laws, administrative regulations, departmental rules or the Articles of Association.

Obligations of Holders of Ordinary Shares

A holder of ordinary shares of the Company shall assume the following obligations:

(I) to abide by the laws, administrative regulations and the Articles of Association;

(II) to pay for the shares pursuant to the quantity and the method of subscription;

(III) to assume liability for the Company within the limitation of their Shares;

(IV) not to withdraw capital contribution after approval for registration from the Company except for circumstances specified in laws and regulations;

(V) to assume other obligations as required in laws, administrative regulations and the Articles of Association.

A Shareholder is subject to terms as agreed by the subscriber at the time of share subscription and, unless otherwise required, assumes no obligation for any subsequent additional share capital.

General Meeting of Shareholders

General meeting of Shareholders shall be the Company's authority and shall exercise its powers of office in accordance with the laws.

Function of duties

General meeting of shareholders shall exercise the following function of duties:

(I) to determine the Company's business policies and investment plans;

(II) to elect and replace directors and supervisors who are not employee representatives and determine matters of the remuneration of relevant directors and supervisors;

(III) to review and approve the report on the board of directors;

(IV) to review and approve the report on the supervisory committee;

(V) to review and approve the Company's annual financial budget and final accounting plans;

(VI) to review and approve the Company's profit distribution and loss recovery plans;

(VII) to approve resolutions on increase or reduction of the registered capital;

(VIII) to approve resolutions on issue of corporate bond, any class of shares, warrants and other similar securities;

(IX) to approve resolutions on matters such as merger, demerger, dissolution, liquidation or changing the form of the Company;

(X) to amend the Articles of Association;

(XI) to consider and approve proposals raised by the shareholders who solely or jointly represent more than 3% of the Company's shareholders with voting rights;

(XII) to determine the engagement, dismissal or non-renewal of the accounting firm;

(XIII) to consider and approve the matters relating to external guarantees which shall be approved at the general meeting of shareholders;

(XIV) to consider and approve any acquisition or disposal of material assets or the amount of guarantee in within one year exceeding 30% of the latest audited total assets of the Company;

(XV) to consider and approve share incentive plans;

(XVI) to approve the resolutions on repurchase of the Company's shares under circumstances of (1) and (2) in Rule 27 to the Articles of Association of the Company;

(XVII) to review other matters requiring approval at the general meeting of shareholders as stipulated in laws, administrative regulations and the Articles of Association;

(XVIII) to review other matters as required by the listing rules of the stock exchange where the shares of the Company are listed.

Rules of Convening

Shareholders' general meeting comprises the annual general meeting and the extraordinary general meeting. The annual general meeting shall be convened once every year within six months after the end of previous accounting year.

The extraordinary general meeting shall be convened on demand. The board of directors shall convene an extraordinary general meeting within 2 months upon occurrence of any of the following events:

(I) the number of directors is less than the quorum required by the Company Law or less than two-thirds of the number required by the Articles of Association;

(II) the uncovered losses are in excess of one third of the Company's total number of paid-up shares;

(III) shareholders separately or collectively holding more than 10% of the Company's shares request in writing;

(IV) the board of directors considers it necessary or the supervisory committee proposes to convene;

(V) such other circumstances as provided for by laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

Extraordinary General Meeting and Shareholders' Class Meeting

Shareholders who require the convening of extraordinary general meeting or a class meeting shall comply with the following procedures:

(I) Shareholders holding separately or in aggregate 10% or more of the shares carrying the right to vote at the meeting proposed to be held may sign the written requisitions in one (1) or more counterparts requiring the board of directors to convene an extraordinary general meeting or a class meeting thereof and stating the subjects of the meeting. The board of directors shall proceed as soon as possible to convene the extraordinary general meeting or class meeting thereof after the receipt of such written requisition. The number of shares held referred to above shall be calculated as of the date of the written requisitions.

(II) If the board of directors fails to issue a notice of such a meeting within thirty (30) days after the receipt of the written requisitions, shareholders who made such requirements may require the supervisory committee to convene an extraordinary general meeting or a class meeting thereof.

(III) If the supervisory committee fails to issue a notice of shareholders' general meeting or class meeting within thirty (30) days after the receipt of the written requisitions, shareholders individually or jointly holding more than 10% of the shares of the Company carrying the right to vote at the meeting proposed to be held for ninety (90) consecutive days may convene and chair the meeting on their own in a manner as similar as possible to the manner in which the shareholders' general meetings are convened by the board of directors, within four (4) months after the receipt of such requisitions by the board of directors.

Reasonable expenses incurred by the requisitionists by reason of the board of directors' failure to convene a meeting as requisitioned and the calling and convening of a meeting by themselves shall be borne by the Company, and such sum shall be set-off against sums owed by the Company to the defaulting directors.

Notice of General Meeting

Before convening an annual general meeting, the Company shall inform each shareholder of the matters to be considered at such meeting as well as the date and venue of the meeting 20 days before the convening of such meeting, while that of an extraordinary general meeting shall be 15 days before the convening of such meeting. Calculation of the above starting term by the Company shall not include the date on which such meeting is convened.

Except as stipulated in the Articles of Association, the notice of the shareholders' 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 shareholders' 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 shareholders' general meeting.

The notice of the shareholders' general meeting to holders of overseas listed Shares shall be published at the website of the Hong Kong Stock Exchange and the website of the Company. Once such an announcement is made, all holders of the overseas listed shares shall be deemed to have received the relevant notice of the shareholders' general meeting.

Notice of a shareholders' general meeting shall satisfy the following requirements:

(I) be in writing;

(II) specify the time, date and venue of the meeting;

(III) specify the matters to be considered at the meeting;

(IV) provide any information and explanations necessary to be made available to the shareholders for such shareholders to make informed 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;

(V) in the event that any of the directors, supervisors, and senior management have material interests in the matters to be discussed, disclose the nature and extent of such interests. If the matters to be discussed affect any director, supervisor 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;

(VI) provide the full text of any special resolution to be proposed for approval at the meeting;

(VII) provide a prominent statement that all shareholders eligible for attending and voting at the general meeting 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;

(VIII) specify the time and venue for lodging a proxy form for the meeting.

Resolutions of General Meeting

Resolutions of general meetings shall take the form of ordinary resolutions or special resolutions.

Ordinary resolutions adopted by the general meeting shall be passed by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting.

Special resolutions adopted by the general meeting shall be passed by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

A shareholder (including his/her proxy) attending the meeting shall vote clearly for or against each of the matters requiring voting. Calculation of voting results of such a matter by the Company shall not include the abstained votes.

The following matters shall be passed by way of an ordinary resolution at a general meeting:

(I) work reports of the board of directors and the supervisory committee;

(II) profit distribution plan and loss recovery plan formulated by the board of directors;

(III) appointment and dismissal of members of the board of directors and the supervisory committee (excluding employee representative supervisor), and their remuneration and method of payment thereof;

(IV) proposed annual preliminary financial budgets, final account report, balance sheets, income statement and other financial statements of the Company;

(V) matters other than those requiring the approval by way of special resolutions in accordance with the laws, administrative regulations and the Articles of Association.

The following matters shall be passed by way of a special resolution at a general meeting:

(I) the increase or reduction of the registered capital and the issuance of any class of shares, share warrants and other similar securities by the Company;

(II) the issuance of corporate bonds of the Company;

(III) the division, merger, dissolution and liquidation of the Company;

(IV) change of corporate form of the Company;

(V) the Company's purchase or disposal of material assets within one year or the amount of guarantee exceeding 30% of the latest audited total assets of the Company;

(VI) the amendment to the Articles of Association;

(VII) other matters required by laws, administrative regulations, the Articles of Association and those that the general meeting by way of an ordinary resolution concluded that may have material impact on the Company and require adoption by way of a special resolution;

(VIII) other matters required by the Listing Rules of the Hong Kong Stock Exchange to be passed by way of a special resolution.

Special Procedures for Voting at Class meetings

Shareholders who hold different classes of shares shall be class shareholders.

Class shareholders shall enjoy the rights and assume the obligations in accordance with the laws, administrative regulations, and the Articles of Association.

Except holders of other classes of shares, holders of domestic shares and overseas listed shares are deemed as different class shareholders.

Where the share capital of the Company includes shares that do not carry voting rights, the word "non-voting" shall appear on the name of such shares.

Where the share capital includes shares with different voting rights, the name of each class of shares, other than those with the most favourable voting rights, shall include the words "restricted voting" or "limited voting".

The Company shall not proceed to vary or abrogate the rights of class shareholders unless such proposed variation or abrogation has been approved by way of a special resolution at a shareholders' general meeting and by a separate shareholder meeting convened by the class shareholders so affected in accordance with Article 93 to Article 97 hereof.

No approval by a shareholders' general meeting or a class meeting is required for variation or abrogation of the rights of class Shareholders resulting from any change in domestic or overseas laws and administrative regulations and listing rules of the stock exchange in the place where the Company's shares are listed as well as the decisions made by domestic or overseas regulatory authorities in accordance with the laws.

The transfer of shares held by the holders of domestic shares of the Company to overseas investors for overseas listing and trading or the conversion of all or part of the domestic shares into overseas listed shares for listing on any overseas stock exchange shall not be considered as the Company's intention to vary or abrogate the rights of class shareholders.

Except as stipulated by laws, administrative regulations or these Articles of Association, the following circumstances shall be deemed as variation or abrogation of the rights of a certain class of shareholders:

(I) 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;

(II) 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;

(III) to cancel or reduce rights to accrued dividends or cumulative dividends attached to shares of the said class;

(IV) to reduce or cancel rights attached to the shares of the said class to preferentially receive dividends or to preferentially receive distributions of assets in a liquidation of the Company;

(V) 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;

(VI) to cancel or reduce rights to receive Company payables in a particular currency attached to the shares of the said class;

(VII) 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;

(VIII) to restrict the transfer or ownership of the shares of the said class or to impose additional restrictions;

(IX) to issue rights to subscribe for, or to convert into, shares of the said class or another class;

(X) to increase the rights and privileges of the shares of another class;

(XI) to restructure the Company in such a way to cause Shareholders of different classes to undertake liabilities disproportionately during the restructuring;

(XII) to amend or cancel provisions in this chapter.

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 Article 93 hereof.

In the following circumstances, the special procedures for voting by class Shareholders shall not apply:

(I) with the approval by a special resolution at the shareholders' general meeting, the Company issues domestic shares or overseas listed shares alone or at the same time at each interval of 12 months and the number of the proposed domestic shares and overseas listed shares does not exceed 20 percent of the respective outstanding shares of such class;

(II) the Company has made the plans to issue domestic shares or overseas listed 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;

(III) Other situations specified in relevant laws, regulations and the Articles of Association.

Director

A director is a natural person and is not required to hold shares in the company. The directors of the company include executive director, non-executive director and independent non-executive director. Executive director refers to the director who holds the position of operation and management in the company. Non-executive director refers to the director who does not hold the position of operation and management in the company and does not have independence in accordance with the laws. Independent non-executive director refers to the director in compliance with the requirements of section two of Article 10 of the Articles of Association.

Appointment and Removal

Directors shall be elected or replaced at the shareholders' general meeting for a term of three years. 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 is not be held in time, the original directors shall still perform their duties as Directors in accordance with the laws, administrative regulations, departmental rules and these Articles of Association before the newly-elected directors take office.

The written notice on the intention of nominating the director candidate and the nominee's statement of willingness to accept the nomination, as well as the written materials on the nominees, shall be sent to the Company not less than seven days before the date of convening the meeting (The 7-day notice period shall commence no earlier than the second day after the issue of the notice of meeting designated for such election and the date of conclusion shall not be later than 7 days before the convening of the shareholders' general meeting). The board of directors shall provide shareholders with biographical details and basic conditions of the director candidate.

Under the premise of complying with the relevant laws and administrative regulations, the shareholders' general meeting may, by an ordinary resolution, remove any director whose term of office has not expired (but the damage claims of the director based on any contract is not affected by this rule).

A director may resign before expiration of his/her term of office. The resigning director shall submit a written resignation to the board of directors.

In the event that the resignation of any director results in the number of members of the board of directors to be less than the statutory minimum requirement, the resigning director shall still perform his/her duties as a director in accordance with laws, administrative regulations, departmental rules and these Articles of Association before the newly-elected director takes office.

Save for the circumstances as referred to in the preceding paragraph, the resignation of a director shall become effective upon submission of his resignation to the board of directors. Subject to the relevant laws and regulations and the regulatory rules in the place where the Company's shares are listed, if the board of directors appoints a new director to fill a casual vacancy, the appointed director shall only serve until the forthcoming session of shareholders' general meeting of the issuer and shall be entitled to re-election.

If a director violates the provisions of laws, administrative regulations, departmental rules or the Articles of Association during the performance of his/her duties and causes losses to the company, he/she shall be liable for compensation.

When a director's resignation takes effect or his/her term of service expires, the director shall complete all handover procedures with the board of directors. The director's fiduciary duties towards the Company and the shareholders do not necessarily cease after the end of his/her term of service and shall remain effective within reasonable term stipulated in the Articles of Association. The duty of confidentiality in respect of trade secrets of the Company shall still be in effect after the end of his/her term of office, until such trade secrets become publicly available information. Other duties may continue for such period as the principle of fairness may require, depending on the length of time which has elapsed between the occurrence of the event concerned and the termination of tenure, and the circumstances and terms under which the relationship between the director and the Company has been terminated.

Independent Non-executive Director

The Company establishes an independent non-executive director system. The independent non-executive director refers to the director who does not hold other position in the Company except for the director, and has no relationship with the Company and its major shareholders which may hinder its independent and objective judgment.

Qualifications

An independent non-executive director shall meet the following basic conditions:

In accordance with the relevant provisions of laws, administrative regulations, departmental rules, normative documents, relevant regulatory authorities or the Articles of Association, the Company has the qualification of being a director and an independent non-executive director of the Company;

(I) independent performance of duties, not affected by the Company's major shareholders, de facto controllers or other units or individuals with interests in the Company;

(II) bachelor degree or above or senior technical title of relevant major;

(III) relevant knowledge of corporate governance, familiar with relevant laws, administrative regulations, departmental rules and normative documents;

(IV) more than 5 years of legal, economic, financial, fiscal or other work experience that is conducive to the performance of the duties of an independent non-executive director;

(V) familiar with the Company's operating management and relevant laws, administrative regulations, departmental rules and normative documents;

(VI) be able to read, understand and analyze the Company's financial statements;

(VII) ensure that there is sufficient time and energy for the effective performance of duties and commitment to abide by the obligation of good faith and diligence.

Appointment and Removal

The term of office of an independent non-executive director shall be three years, and he/she shall be entitled to re-election, but no more than nine years, unless otherwise provided by relevant laws and regulations and the Listing Rules of the stock exchange where the Company's shares are listed.

Independent non-executive directors shall not be less than three, which shall account for more than one-third of the total number of board members, and at least one independent non-executive director of the Company shall be a finance professional or an accounting professional.

Before the expiry of the term of office of an independent non-executive director, he/she shall not be removed without proper reasons.

If an independent non-executive director fails to attend the meeting of the board of directors in person for three consecutive times, the board of directors may propose to the shareholders' general meeting for replacement.

Board of Directors

Functions and Powers

The board of directors exercise the following functions and powers:

(I) to convene a shareholders' general meeting, propose the approval of relevant matters submitted to the shareholders' general meeting and report their work to such meeting;

(II) to implement the resolutions of a shareholders' general meeting;

(III) to determine the medium- and long-term development strategy of the Company;

(IV) to decide on the operation plan and investment scheme of the Company;

(V) to prepare the annual budget and final accounts of the Company;

(VI) to prepare the profit distribution plan and loss recovery plan of the Company;

(VII) to prepare plans on increase or reduction of the registered capital, plans on issuance of shares, and plans on issuance of bonds or other securities and listing of the Company;

(VIII) to prepare plans for major assets acquisition and disposal, repurchase of the shares of the Company or the merger, divisions, dissolution and changes of the form of the Company;

(IX) to formulate the plan for the Company's share repurchase due to the circumstances stipulated in items (I) and (II) to Article 27 of the Articles of Association;

(X) to make a resolution on the repurchase of the Company's shares due to the circumstances stipulated in items (III), (V) or (VI) to Article 27 of the Articles of Association;

(XI) to decide on the structure of the internal management organizations of the Company;

(XII) to appoint or remove the General Managers and Secretary of the Board; to appoint or remove senior management, such as the Vice General Managers and Chief Financial Officer of the Company pursuant to the nominations of the General Managers; to appoint or remove key management personnel as the board of directors deems appropriate;

(XIII) to decide on the remuneration of the aforesaid senior management;

(XIV) to establish a basic management system of the Company;

(XV) to prepare plans to amend the Articles of Association;

(XVI) to decide on investment, acquisition or disposal of assets, financing, connected transactions and other matters by the board of directors in accordance with the Listing Rules of the Hong Kong Stock Exchange;

(XVII) to manage the information disclosure of the Company in accordance with laws and regulations, the Listing Rules of the Hong Kong Stock Exchange and internal rules and regulations of the Company;

(XVIII) to decide on other major affairs of the Company except for the matters to be resolved by the shareholders' general meeting as stipulated in the Company Law and the Articles of Association;

(XIX) to participate in the consideration of the Company's important business management affairs and corresponding decision-making within the scope permitted by relevant laws and regulations and the Listing Rules of the Hong Kong Stock Exchange, authorise the chairman of the board of directors;

(XX) to exercise other powers and duties conferred by relevant laws, regulations, the Listing Rules of the Hong Kong Stock Exchange, the Articles of Association or the shareholders' general meetings.

Resolutions relating to the above, with the exception of items (7), (8) and (15) which shall be approved by not less than two-thirds of the directors, shall be approved by not less than half of the directors.

Right of Disposal of Fixed Assets

The board of directors shall not, without the approval of Shareholders in a shareholders' general meeting, dispose of or agree to dispose of any fixed assets of the Company where the aggregate of the expected value of fixed assets proposed for disposal and the value of fixed assets disposed of within 4 months before the proposed disposal exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet reviewed by the shareholders' general meeting.

Powers and functions of the chairman

The chairman of the board of directors shall exercise the following functions and powers:

(I) to preside over the shareholders' general meetings and to convene and preside over the meetings of the board of directors;

(II) to supervise and inspect the implementation of resolutions of the board of directors;

(III) to sign share certificates, debentures and other marketable securities issued by the Company;

(IV) to sign important documents of the board of directors and other documents to be signed by the legal representative of the Company, and exercise the powers and functions of the legal representative;

(V) in the event of any urgent situation due to force majeure or material emergencies, leading to failure to convene the meeting of the board of directors in a timely manner, to exercise special powers in relation to the Company's affairs in compliance with legal requirements and in the interests of the Company and subsequently reports such activities to the board of directors;

(VI) to organise and formulate various systems for the operation of the board of directors and coordinate with the operation of the board of directors;

(VII) to listen to the regular or irregular work reports of the Company's senior management and provide guiding opinions on the implementation of the resolutions of the board of directors;

(VIII) to nominate candidates for the general manager and secretary to the board of directors of the Company;

(IX) to participate in the consideration of the Company's important business and management affairs and corresponding decision-making in accordance with the authorization of the board of directors;

(X) to exercise any other powers and functions required by the laws, regulations or the Articles of Association or conferred by the board of directors.

The vice-chairman shall assist the chairman with his/her work. In the event that the chairman of the board of directors is unable to perform his/her duties, the vice-chairman shall perform them; if the vice-chairman of the government fails or is unable to perform his duties, a director elected by more than half of the directors shall perform such duties.

The board of directors may, if necessary, authorise the chairman of the board of directors to exercise part of the powers of the board of directors during the adjournment period.

Notice and Minutes of Board Meeting

A notice shall be given to all directors and supervisors 14 days prior to a regular meeting of the board of directors or reasonable time prior to an extraordinary meeting of the board of directors. The responsible body of the Company shall serve a written notice of the meeting to all directors and supervisors by hand, fax, express mail service or other means of electronic communication. Notices that are not served by hand shall be confirmed by phone call and record should be made accordingly.

In case of emergency where an extraordinary meeting of the board of directors is required to be convened as soon as possible, the notice of meeting may be given by phone call or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

The notice of meeting shall be deemed to have been served to a director if he/she is present at the meeting and does not raise any objection to non-receipt of such notice prior to or at the time of his/her arrival at the meeting.

Regular or extraordinary meetings of the board of directors may be held by way of teleconference or by virtue of other communication devices. In such meetings, so long as the participating directors can hear and communicate with each other, all participating directors are deemed to have had participated in the meeting in person.

The board of directors may accept a written proposal instead of convening a meeting of the board of directors, but the draft of the proposal shall be sent to each director by direct service, post, fax or e-mail. If the board of directors has distributed the proposal to all directors, and the directors who have signed and agreed to the proposal have reached the quorum required to make a decision, and the signed documents that have agreed to the proposal have been sent to the secretary to the board of directors in the above way, the proposal will become a resolution of the board of directors, which is deemed to have the same legal effect as the resolution passed by the meeting of the board of directors convened in accordance with the relevant provisions of the Articles of Association.

The board of directors shall keep minutes of resolutions on matters discussed at the meeting. The attending directors and the recorder of meeting minutes shall sign the minutes of such meeting. The directors shall be liable for the resolutions of the board of directors. If the resolutions of the board of directors violate the laws, administrative regulations or the Articles of Association, which causes the Company to suffer a material loss, the directors involved in the resolutions are liable to the Company for indemnity. However, directors may be exempted from such liability if it is verified and recorded in the minutes of the meeting that such director has expressed his/her objection during voting.

Convening and Voting of the Board of Directors

The board meeting can be held only when there are more than one half of the directors attending the meeting.

Each director enjoys only one voting right. The resolution of the board of directors shall be passed by more than a half of all directors, except as otherwise stipulated by the laws, administrative regulations and the Articles of Association.

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.

Except as otherwise provided, a director shall not vote on a resolution approving any contract, arrangement or any other proposal in which such director or any of his/her related parties has a material interest, nor shall such director be counted in the quorum present at the meeting.

A director shall attend the board meetings in person. If a director is not able to attend the meeting for any reason, he/she may appoint in writing other directors to attend the meeting on his/her behalf. The scope of authorization shall be specified in the proxy form.

The director attending the meeting on other's behalf shall only exercise the rights of director within the scope of authorization. If a director neither attends a board meeting nor appoint a representative to attend on his/her behalf, such director shall be deemed to have waived his/her right to vote at such meeting.

Secretary to the Board

The Company has one secretary to the board, which is considered as the senior management personnel of the Company.

The secretary to the board shall be a natural person with necessary professional knowledge and experience, nominated by the chairman of the board of directors, appointed or dismissed by the board of directors. The duties thereof include:

(I) to ensure that the Company has a complete set of organizational documents and records;

(II) to ensure that the Company prepares and submits the reports and documents in accordance with the laws as required by the regulatory authorities,

(III) to ensure the proper maintenance of the Company's register of shareholders, so as to ensure the persons who are entitled to obtain the relevant records and documents of the Company are able to obtain the same on a timely basis;

A director or other senior management of the Company may concurrently serve as the secretary of the board of the company. The accountants of the accounting firm which has been engaged by the Company and the management officers of controlling shareholders shall not concurrently serve as the secretary to the board of the Company.

If a director of the Company concurrently serves as a secretary to the board of the Company, an action that shall be separately carried out by a director and a secretary to the board of the Company shall not be acted by such person who holds the offices of director and secretary to the board of the Company in dual capacity.

General Managers and Other Senior Management Personnel

The Company has one general manager. The Company has a number of standing deputy general managers, who are nominated by the general manager. Directors may concurrently serve as senior management personnel.

Senior management personnel are appointed or removed by the Board of Directors. The general manager is accountable to the board of directors and shall exercise the following powers and functions:

(I) to be in charge of managing the Company's production and operation, organise the implementation of resolutions of the board of directors, and report work to the board of directors;

(II) to organise annual operating plans and investment programmes of the Company;

(III) to make internal management organization establishment plan;

(IV) to make basic management system;

(V) to formulate basic and detailed rules of the Company;

(VI) to recommend to the board of directors for appointment or removal of the deputy general manager and Chief Financial Officer and other senior management personnel;

(VII) to decide to appoint or remove officers of the Company other than those to be appointed or removed by the board of directors;

(VIII) other duties and powers prescribed by laws, administrative regulations, departmental rules, relevant regulatory authorities and the Articles of Association.

The Company shall have one Chief Financial Officer, who shall be appointed or removed by the board of directors. Chief Financial Officer shall be responsible to the board of directors and the general manager.

Supervisory Committee

The Company shall establish a supervisory committee, which shall exercise its supervisory powers in accordance with the laws, administrative regulations and the Articles of Association.

The supervisory committee consists of 3 members and one of them shall be the chairman. The term of office of a supervisor is three years and the supervisors can be re-elected and re-appointed.

The appointment and dismissal of the chairman of the supervisory committee shall be subject to the approval of two-thirds or more of its members by voting.

The supervisory committee shall be composed of the shareholders' representative(s) and representative(s) of the workers of the Company in an appropriate ratio. In particular, the ratio of the employee representative supervisor(s) shall be no less than one-third. 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.

Functions and Powers

The supervisory committee shall be accountable to the shareholders' general meeting, and exercise the following functions and powers:

(I) to review the financial position of the Company;

(II) to supervise the performance of directors, manager and senior management personnel if they violate laws, administrative regulations or the Articles of Association in fulfilling their duties to the Company;

(III) to correct the acts of the directors, managers and other senior managers if their actions damage the interests of the company;

(IV) to review financial information such as financial reports, business reports, and profit distribution plans as proposed by the board of directors to the shareholders' general meetings, and to engage certified public accountants and practicing auditors to assist with further examination in the name of the Company if there are any queries;

(V) to propose the convening of extraordinary general meetings of the board of directors;

(VI) to negotiate with directors on behalf of the Company or initiate litigations against directors;

(VII) other duties and powers conferred by the Articles of Association.

Supervisors attend the board meetings without voting rights.

Convening rules

The supervisory committee shall convene at least one meeting every six months, which shall be convened by the chairman of the supervisory committee.

If the chairman of the supervisory committee is unable or fails to perform his/her duties, a supervisor who has been elected by more than half of the supervisors shall convene and preside over the meeting of the supervisory committee.

The supervisors may propose to convene extraordinary meetings of the supervisory committee.

If the supervisory committee convenes regular or interim meetings, the staff of the supervisory committee shall, within a reasonable period in advance, provide a written notice of the meeting to all supervisors by direct delivery, fax, email or other means. If the service is not delivered directly, it shall also be confirmed by telephone and recorded accordingly.

In case of emergency where an extraordinary meeting of the board of directors is required to be convened as soon as possible, the notice of meeting may be given by phone call or by other verbal means at any time, but the convener shall provide an explanation at the meeting.

Resolution of the supervisory committee

The method for resolving matters by the supervisory committee: resolutions of the supervisory committee shall be made by way of voting with one vote for each supervisor in the manner of open and written ballot.

The voting procedure is as follows: the voting intentions of supervisors are consent, objection and abstention. The supervisors present at the meeting shall choose one of the above intentions. If no choice is made or two or more intentions are selected at the same time, the chairman of the meeting shall require the supervisor to choose again. If he/she refuses to choose, it shall be deemed as abstention; if he/she fails to return to the meeting venue during the meeting and makes no choice, it shall be deemed as abstention.

The resolutions of the supervisory committee shall be passed by two-thirds or more of its members by voting.

The discussed matters shall be recorded in the minutes of the meeting of the supervisory committee. Supervisors shall sign on the minutes of meetings. Supervisors are entitled to request that an explanatory notes of their comments made at the meetings be recorded in the minutes. Minutes of meeting of the supervisory committee shall be kept at the domicile of the Company.

In case of communication voting, the supervisor shall fax his/her written opinions and voting intention to the office of the supervisory committee after signing for confirmation. The supervisors who participate in the communication voting shall submit the signed original votes to the supervisory committee within the term of the notice of the meeting.

Qualifications, Obligations And Remuneration of the Company's Directors, Supervisors and Senior Management Personnel

Qualifications

The following persons shall not serve as directors, supervisors, or other senior management personnel of the Company:

(I) persons without civil capacity or with limited civil capacity;

(II) persons who have committed offenses relating to corruption, bribery, embezzlement of property, misappropriation of property or disruption of socialist economic order and have been sentenced to criminal punishment, where less than five years has elapsed since the date of enforcement, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years has elapsed since the date of enforcement;

(III) persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years has elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(IV) persons who were legal representatives of a company or enterprise which had its business license revoked and was ordered to close down due to violation of the law and who were personally liable, where less than three years has elapsed since the date of the revocation;

(V) persons who have a substantial amount of debts due and outstanding;

(VI) persons who are under investigation of the judicial authority due to breach of criminal laws and the case is not closed;

(VII) persons who are prohibited from acting as a leader of an enterprise by laws or administrative regulations;

(VIII) persons other than a natural person;

(IX) persons who has been convicted by the competent authority for violation of securities regulations by acting fraudulently or dishonestly, where less than five years has elapsed since the date of the conviction;

(X) other circumstances specified by the laws and securities regulatory organizations rules of the place where the shares of the Company are listed.

Obligations

The directors, supervisors and senior management personnel of the Company shall perform their duties in accordance with the principle of fiduciary and shall not put themselves in a position where their duties and their interests may conflict. These principles include (but not limited to) the following:

(I) to act honestly in the best interests of the Company;

(II) to exercise powers within the scope of his/her powers;

(III) to exercise the discretion vested in him personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the informed consent of shareholders at general meetings, not to delegate others to exercise his/her discretion;

(IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(V) unless otherwise provided by the Articles of Association or with the informed consent of Shareholders at general meeting, not to enter into any contract, transaction or arrangement with the Company;

(VI) without the informed consent of shareholders at general meeting, not to use the Company's property for his/her own benefit in any form;

(VII) not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including but not limited to opportunities advantageous to the Company;

(VIII) without the informed consent of shareholders at shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

(IX) to abide by the Articles of Association, perform his/her official duties faithfully and protect the Company's interests, and not to exploit his/her position and power in the Company for his/her own interests;

(X) not to compete with the Company in any way unless without the informed consent of shareholders at general meeting;

(XI) not to misappropriate the Company's funds, not to open any account in his/her own name or in any other name for the deposit of the Company's assets or funds, not to violate the provisions of these Articles of Association by lending the Company's funds to others or using such assets to provide guarantee for the debts of shareholders of the Company or other individuals without the consent of the shareholders' general meeting or the consent of the board of directors;

(XII) unless otherwise permitted by informed shareholders at shareholders' general meeting, to keep in confidence the confidential information relating to the Company acquired by him in the course of and during his/her tenure and not to use such information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if:

1. the law so requires;

2. public interest so warrants;

3. the interests of the relevant director, supervisor and senior management personnel so requires.

The aforesaid officers' income derived from violation of the Articles of Association shall belong to the Company, and such officers shall be liable to compensate any loss incurred to the Company.

Remuneration

The Company shall, with the prior approval of the shareholders' general meeting, enter into a written contract with its directors, supervisors and senior management personnel with regard to the remunerations. The written contract shall include at least the following provisions:

(I) an undertaking by the directors, supervisors and senior management personnel to the Company to observe and comply with the Company Law, the Special Regulations, the Articles of Association, the codes on takeover and the codes on share repurchases of the stock exchange in the place where the Company's shares are listed, and other rules specified by other stock exchange in the place where the Company's shares are listed, and an agreement that the Company shall have the remedies provided in the Articles of Association, and that neither the contract nor their office is capable of assignment;

(II) an undertaking by the directors, supervisors and senior management personnel to the Company on behalf of each Shareholder to observe and perform their obligations to the Shareholders required by the Articles of Association;

(III) an arbitration clause as provided in Article 195 hereof. The aforesaid remunerations include:

a. remunerations in respect to their service as directors, supervisors or senior management personnel of the Company;

b. remunerations in respect to their service as directors, supervisors or senior management personnel of any subsidiary of the Company;

c. remunerations in respect to the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries;

d. payment to the directors or supervisors as compensation for loss of office or as consideration in connection with his/her retirement.

No proceedings may be brought by a director or supervisor against the Company for any benefit due to him/her in respect of the matters mentioned above except pursuant to the contract mentioned above.

The contracts entered into between the Company and its directors or supervisors concerning remunerations shall prescribe that in the event that the Company is being acquired, the Company's directors and supervisors shall, subject to the prior approval of shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. For the purposes of the preceding paragraph, the acquisition of the Company includes any of the following:

(I) an offer for acquisition made by any person to all shareholders; or

(II) an offer for acquisition made by any person such that the offeror will become the Controlling Shareholder.

If the relevant directors or supervisor do not comply with the Articles of Association, any sum received by them shall belong to those persons who have sold their shares as a result of the acceptance of such offer, and the expenses incurred in distributing that sum on a pro rata basis among those persons shall be borne by the relevant directors or supervisors and shall not be deducted from the distributed sum.

Financial Assistance for Acquisition of Shares of the Company

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 the purchasing 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 Articles of Association shall not apply to the circumstances specified in Article 36.

The "financial assistance" referred to in this Chapter includes (but is not limited to) the following ways:

(I) gift;

(II) 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;

(III) provision of a loan or signing of a contract under which the obligations of the Company are to be fulfilled prior to the fulfilment 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;

(IV) 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.

Increase or Decrease in Shares

The Company may, based on its business and development needs and in accordance with the requirements of laws, regulations and the Articles of Association, increase its registered capital in the following manners:

(I) by issuing new shares to public;

(II) by issuing new shares to private;

(III) by placing new shares to its existing Shareholders;

(IV) by distributing bonus to its existing Shareholders;

(V) by capitalising its capital reserves;

(VI) by other ways permitted by the laws, administrative regulations and pertinent regulatory authorities.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of these Articles of Association, be conducted in accordance with the procedures stipulated in the relevant laws and administrative regulations of the PRC and the stock listing rules of the stock exchange in which Company's shares are listed.

The Company may reduce its registered capital and shall be conducted by accordance with the procedures stipulated in the PRC Company Law, other relevant regulations and these Articles of Association.

Repurchase of Shares

The Company may, according to the requirements of the laws, administrative regulations, departmental rules, stock listing rules of the stock exchange in which Company's shares are listed and the Articles of Association, repurchase its shares under the following circumstances:

(I) cancelling shares for reducing the Company's registered capital;

(II) merging with other companies which hold shares in the Company;

(III) awarding shares for employee stock ownership plan or share incentive plan;

(IV) acquiring shares held by shareholders, who vote against any resolution proposed in any shareholders' general meeting on the merger or division of the Company, upon their request;

(V) using shares to convert into corporate bonds which are convertible into shares that issued by Company;

(VI) protecting the Company value and shareholders' equity when necessary;

(VII) other circumstances as permitted by laws, administrative regulations.

Financial Accounting System

The accounting year of the Company adopts the calendar year system of Gregorian calendar, i.e., from January 1 to December 31, as an accounting year.

The Company shall prepare a financial report at the end of each accounting 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 financial reports separately prepared based on above two standards, the notes shall be added in the financial report prepared in accordance with either international accounting standards or those of the place outside the PRC where the Company's shares are listed. In distributing its after-tax profits of the relevant accounting year, the lower of the after-tax profits as shown respectively in the above-mentioned two financial reports shall be adopted.

The interim financial results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards or regulations, and at the same time in accordance with either international accounting standards or those of the place outside the PRC where the Company's shares are listed.

Accounting Firm

Appointment

The first accounting firm of the Company may be appointed at the inaugural meeting prior to the first annual general meeting. The accounting firm so appointed shall hold the position until the conclusion of the first annual general meeting.

The accounting firm appointed by the Company shall hold their position from the conclusion of the annual general meeting at which the appointment is made until the conclusion of the next annual general meeting.

Remuneration

The remuneration of an accounting firm or the manner in which such remuneration is to be decided shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the board of directors shall be determined by the board of directors.

Removal

The Company's decision on appointment, removal and non-reappointment of an accounting firm shall be resolved by a shareholders' general meeting. Such resolution shall be filed with the securities regulatory authorities of the State Council.

When the company dismisses or no longer renews the accounting firm, it shall notify the accounting firm in advance, and the accounting firm has the right to present its opinions to the shareholders' general meeting.

When a resolution at a shareholders' general meeting is passed to appoint an accounting firm other than the incumbent accounting firm to fill a casual vacancy in the office of the accounting firm, to re-appoint an accounting firm that was appointed by the board of directors to fill a casual vacancy, or to remove an accounting firm before the expiration of its term of office, the following provisions shall apply:

(I) Before notice of meeting is given to the shareholders, a copy of the appointment or removal proposal shall be sent to the accounting firm proposed to be appointed or proposed to leave its post or the accounting firm which has left its post in the relevant accounting year;

Leaving includes leaving by removal, resignation and retirement.

(II) If the accounting firm leaving its post makes representations in writing and requests the Company to notify its shareholders of such representations, the Company shall (unless the written representations were received too late) take the following measures:

1. in any notice of meeting held for making the resolution, state the fact that the departing accounting firm has made such representations; and

2. attach a copy of the representations to the notice and send it to every shareholder entitled to notice of general meeting in the manner stipulated in the Articles of Association.

(III) If the Company fails to send out the accounting firm's representations in the manner set out in item (2) of this Article, such accounting firm may require that the representations be read out at the shareholders' general meeting and may make further representations;

(IV) An accounting firm that is leaving its post shall be entitled to attend:

1. The shareholders' general meeting at which its term of office would otherwise have expired;

2. The shareholders' general meeting at that it is proposed to fill the vacancy caused by its removal;

3. The shareholders' general meeting that is convened as a result of its resignation.

The accounting firm shall be entitled to receive all notices of, and other communications relating to, such meetings, and to speak at such meetings in relation to matters concerning its role as the former accounting firm of the Company.

If the Company proposes to remove the accounting firm or not to renew the appointment thereof, it shall notify the accounting firm in advance, and the latter has the right to state its opinions to the shareholders' general meeting. If the accounting firm resigns, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

The accounting firm may resign from its office by depositing the written notice of resignation at the registered address of the Company. The notice shall become effective on the date of such deposit or on such later date as may be stated in the notice. The notice shall contain the following statements:

1. a statement to the effect that there are no circumstances connected with its resignation that it considers must be brought to the attention of the Shareholders or creditors of the Company; or

2. a statement of any such circumstances that should be explained.

Profit and Distribution

When distributing each year's after-tax profits, the Company is required to set aside 10% of its profits into its statutory reserve fund. When the cumulated amount of the statutory reserve fund of the Company has reached more than 50% of its registered capital, no further allocations is required.

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the general meeting, allocate discretionary reserve fund from after-tax profits.

After losses have been covered and the statutory reserve fund has been allocated, any remaining after-tax profits shall be the profits available to shareholders, which shall be distributed to the shareholders in proportion to their shareholdings according to resolutions of the shareholders' general meeting.

If the general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory reserve fund, the shareholders must return the profits distributed in violation of the provision to the Company.

The Company may distribute dividends in the form of (or a combination of both):

(1) cash;

(2) shares.

Settlement of Disputes

The Company shall comply with the following rules in settling disputes:

(I) whenever any disputes or claims concerning the affairs of the Company arise from any rights or obligations as provided in the contract, the Articles of Association, the Company Law and other relevant laws and administrative regulations involving (i) between the Company and its director or senior management personnel; and (ii) between a holder of overseas listed shares and a director or senior management personnel of the Company, the parties concerned shall resolve such disputes and claims through arbitration.

When a dispute or claim described above is submitted for arbitration, the entire dispute or claim shall be resolved through arbitration; 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, if they are shareholders, directors, supervisors, or senior management personnel of the Company or the Company, shall submit to arbitration.

Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

(II) the party seeking arbitration may elect to have the dispute or claim arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or by the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once the party seeking arbitration submits a dispute or claim to arbitration, the other party must submit to the arbitral institution selected by the party seeking the arbitration.

If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Center, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of the Hong Kong International Arbitration Center.

(III) if any disputes or claims falling within circumstances referred to in item (I) are settled by way of arbitration, the laws of the People's Republic of China (excluding Hong Kong, Macau and Taiwan) shall apply, except as otherwise provided in the laws and administrative regulations.

(IV) the award of the arbitral institution is final and shall be binding on the parties thereto. Such agreement on arbitration is reached by the director or senior management personnel and the Company, while the Company acts on behalf of itself and each of the shareholders. Any submission of the arbitration shall be deemed as authorization of arbitral tribunal to perform public hearing and announcement its judgement.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established as limited company in the PRC on December 3, 2001 and converted into a joint stock company with limited liability under the PRC Company Law on April 10, 2020 ("**Conversion**"). Our registered address is at 6A-2, Yantian Modern Industry Service Center, 3018 Shayan Road, Yantian District, Shenzhen, Guangdong Province, China. We have established a principal place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 29, 2020. Ms. Tam Pak Yu, Vivien (譚栢如) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, our corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of our Articles of Association are set out in the sections headed "Summary of Principal Legal and Regulatory Provisions" in Appendix IV and "Summary of the Articles of Association" in Appendix V, respectively.

2. Changes in the Share Capital of Our Company and Subsidiaries

Please refer to the section headed "Our History and Development" for changes in the share capital of our Company.

Save as otherwise disclosed below, there are no changes in the share capital of our subsidiaries within the two years preceding the date of this document:

Youguolian

- On December 18, 2020, the registered capital of Youguolian was increased from RMB50 million to RMB80 million with the additional registered capital of RMB30 million subscribed by our Company and which was fully paid by our Company on December 16, 2020.

Baixin Investment

- On December 6, 2021, the registered capital of Baixin Investment was increased from RMB5 million to RMB7 million with the additional registered capital of RMB2 million subscribed by our Company. The registered capital of Baixin Investment was fully paid up by our Company as of June 16, 2022.

Pagoda Seeds

- On December 28, 2021, the registered capital of Pagoda Seeds was increased by RMB3.5 million, from RMB3.5 million to RMB7 million with RMB2.75 million, RMB0.25 million, RMB0.50 million being subscribed by Pagoda Investment, Youguolian and Guangxi Zhencheng Agricultural Co., Ltd.* (廣西真誠農業有限公司) ("**Guangxi Zhencheng**"), respectively, and which was fully paid up by Pagoda Investment, Youguolian and Guangxi Zhencheng on January 5, 2022, January 4, 2022 and January 2, 2022, respectively.

Baiguo Digital Industrial

- On August 8, 2022, the registered capital of Baiguo Digital Industrial was increased from RMB30 million to RMB135 million with the additional registered capital of RMB105 million subscribed by our Company and out of which, RMB25 million was paid on August 10, 2022 and the remaining RMB80 million shall be fully paid up by December 31, 2023.

3. The Shareholders' Resolutions of Our Company

At the extraordinary general meeting of our Company held on February 8, 2022, among other things, the following resolutions were passed by our Shareholders:

(a) [**REDACTED**] has been approved and the Board has been authorized to apply for the [**REDACTED**] of H Shares on [**REDACTED**] as well as to approve matters in relation to [**REDACTED**];

(b) the conversion of an aggregate of [**REDACTED**] Domestic Shares into H Shares concurrently upon [**REDACTED**] and the issue by the Company of the H Shares of nominal value of RMB1.00 each up to [**REDACTED**] H Shares (including [**REDACTED**] H Shares that may be issued upon the full exercise of [**REDACTED**]) in total and such H Shares to be [**REDACTED**] on [**REDACTED**];

(c) subject to the completion of [**REDACTED**], the Articles of Association have been approved and adopted, which shall only become effective on [**REDACTED**];

(d) the Board has been authorized to revise and amend the Articles of Association, in accordance with laws, regulations, requirements and suggestions of related governmental authorities and regulatory authorities; and

(e) the Board has been authorized to (i) draft, revise, sign and submit relevant applications, reports, agreements, contracts, [**REDACTED**] documents or other materials, in relation to [**REDACTED**] and the conversion of Domestic Shares into H Snares, to the CSRC, SFC, the Stock Exchange and the Registrar of Companies in Hong Kong; (ii) complete relevant approvals, registrations, fillings, consents, and registrations of non-Hong Kong companies, relevant intellectual properties and document; (iii) sign, execute, revise and complete all necessary documents submitted to relevant governmental authorities, institutions, organizations, and (iv) take appropriate actions in relation to [**REDACTED**] and the conversion of Domestic Shares into H Shares.

4. Our Conversion

We underwent our Conversion, details of which are set out in the section headed "Our History and Development — Corporate Development of Our Company — C. Recent Changes in Shareholding Structure of Our Company — (b) Conversion and Capitalization" in this document. As confirmed by our PRC Legal Adviser, we have obtained all necessary approvals from relevant PRC regulatory authorities required for the implementation of the Conversion. These approvals include the business license of Shenzhen Pagoda Industrial (Group) Corporation Limited (Approval No. 914403007152447549) issued by Shenzhen Municipal Market Supervisory Administration (深圳市市場監督管理局) on April 10, 2020.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) [**REDACTED**];

(b) The Deed of Non-Competition I;

(c) The Deed of Non-Competition II;

(d) The second supplemental agreement entered into by and among Henan Zhanxin Industry Investment Fund Limited Partnership* (河南省戰新產業投資基金(有限合夥)) ("**Henan Zhanxin**"), our Company, Yu Huiyong (余惠勇) ("**Mr. Yu**"), Shenzhen Hongyuan Shanguo Investment Development Limited Partnership* (深圳市宏願善果投資發展企業(有限合夥)) ("**Hongyuan Shanguo**") and Shenzhen Hengyili Investment Development Center Limited Partnership* (深圳市恒義利投資發展中心(有限合夥)) ("**Hengyili Investment**") on January 8, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto, and the subscription agreement entered into by and among the parties on February 23, 2018 and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on April 24, 2020 (together with the second supplemental agreement, the "**Henan Zhanxin Agreements**");

(e) The third supplemental agreement entered into by and among Henan Zhanxin, our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on January 1, 2022, pursuant to which the parties agreed on further terms and conditions in relation to the Henan Zhanxin Agreements;

(f) The second supplemental agreement entered into by and among Shanghai Free Trade Zone No. 3 Equity Investment Fund Partnership Limited Partnership* (上海自貿試驗區三期股權投資基金合夥企業(有限合夥)) ("**SFTZ III**"), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on February 18, 2021, pursuant to which the parties agreed on to amend and confirm certain terms and matters in relation to (i) the investment agreement entered into by and among the parties and the supplemental agreement thereto in 2018, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 25, 2020 (together with the second supplemental agreement, the "**SFTZ III Agreements**");

(g) The third supplemental agreement entered into by and among SFTZ III, our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on March 4, 2022, pursuant to which the parties agreed on further terms and conditions in relation to the SFTZ III Agreements;

(h) The second supplemental agreement entered into by and among Ningbo Meishan Bonded Port District Kunxin Xiangyi Investment Partnership Limited Partnership* (寧波梅山保税港區鯤信襄益投資合夥企業(有限合夥)) ("**Kunxing Xiangyi**"), our Company, Mr. Yu, Hongyuan Shanguo, Hengyili Investment and Zhangshu City Hengwang Investment Management Limited Partnership* (樟樹市恒旺投資管理中心(有限合夥)) ("**Hengwang**") on March 17, 2021, pursuant to which the parties agreed to confirm and amend certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties on June 21, 2018, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 25, 2020;

(i) The second supplemental agreement entered into by and among Shenzhen CICC Qianhai Bole No. 1 Fund Center Limited Partnership* (深圳中金前海伯樂一號基金中心(有限合夥)), Shenzhen CICC Qianhai Baima No. 4 Fund Center Limited Partnership* (深圳中金前海白馬四號基金中心(有限合夥)), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on April 14, 2021, pursuant to which the parties agreed to confirm and amend certain terms and matters in relation to the investment agreement and the supplemental agreement thereto entered into by and among the parties on November 8, 2016;

(j) The second supplemental agreement entered into by and among Ningbo Meishan Bonded Port District CICC Haoze Equity Investment Partnership Limited Partnership* (寧波梅山保税港區中金澔澤股權投資合夥企業(有限合夥)) ("**CICC Haozao**"), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on March 22, 2021, pursuant to which the parties agreed to confirm and amend certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties and Suzhou Yuanhan Equity Investment Partnership Limited Partnership* (蘇州源瀚股權投資合夥企業(有限合夥)) ("**Suzhou Yuanhan**") in 2018, (ii) the share pledge agreement entered into by and between CICC Haoze and Mr. Yu in 2019, and (iii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 7, 2020;

(k) The second supplemental agreement entered into by and between Qianhai Equity Investment Fund Limited Partnership* (前海股權投資基金(有限合夥)) ("**Qianhai Equity**") and our Company on December 31, 2020, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to the subscription agreement and the supplemental agreement thereto entered into by and between the parties on December 28, 2015;

(l) The supplemental agreement entered into by and among Shenzhen Zhuopu Investment Development Partnership Limited Partnership* (深圳卓璞投資發展企業(有限合夥)), our Company and Mr. Yu on February 2, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement entered into by and among the parties on May 15, 2017, and (ii) the agreement entered into by and among the parties on April 14, 2020;

(m) The second supplemental agreement entered into by and among Wu Xianfeng (吳先鋒), our Company and Mr. Yu on March 2, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreements entered into by and among the parties on March 10, 2017 and June 1, 2018, respectively, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on April 14, 2020;

(n) The second supplemental agreement entered into by and among Shenzhen China Merchant Equity Investment Partnership Limited Partnership* (深圳國調招商併購股權投資基金合夥企業(有限合夥)), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on December 31, 2020, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties on April 26, 2018, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 9, 2020;

(o) The second supplemental agreement entered into by and among Shenzhen Lingyu Jishi Equity Investment Partnership (Limited Partnership)* (深圳市領譽基石股權投資合夥企業(有限合夥)) ("**Lingyu Jishi**"), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on March 17, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties on February 13, 2018, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 29, 2020;

(p) The second supplemental agreement entered into by and among Suzhou Tiantu Xingsu Equity Investment Center Limited Partnership* (蘇州天圖興蘇股權投資中心(有限合夥)) ("**Tiantu Xingsu**"), Beijing Tiantu Xingbei Investment Center Limited Partnership* (北京天圖興北投資中心(有限合夥)) ("**Tiantu Xingbei**"), Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司) ("**Tiantu Capital**"), Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center Limited Partnership* (成都天圖天投東風股權投資基金中心(有限合夥)) ("**Tiantu Tiantou**"), Shenzhen Xingsi Investment Limited Partnership* (深圳興思投資合夥企業(有限合夥)) ("**Tiantu Xingsi**"), Shenzhen Xingshun Investment Limited

Partnership* (深圳興順投資合夥企業(有限合夥)) ("**Tiantu Xingshun**"), Shenzhen Tiantu Xinghui Investment Limited Partnership* (深圳天圖興慧投資合夥企業(有限合夥)) ("**Tiantu Xinghui**"), our Company and Mr. Yu on February 19, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement entered into by and among the relevant parties on April 10, 2015, April 20, 2015, January 29, 2016 and February 27, 2017, respectively, and (ii) the agreement entered into by and among the parties on April 22, 2020 and the supplemental agreement thereto entered into by and among the parties on May 6, 2020;

(q) The second supplemental agreement entered into by and among Xinyu Unicorn Investment Management Partnership Limited Partnership* (新余獨角獸投資管理合夥企業(有限合夥)), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on March 10, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties on April 26, 2018, and (ii) the agreement and the supplemental agreement thereto entered into by and among the parties on April 28, 2020;

(r) The supplemental agreement entered into by and among Xinyu Shuoguo Investment Center Limited Partnership* (新余碩果投資中心(有限合夥)), our Company and Mr. Yu on February 2, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement entered into by and among the parties on June 1, 2018, and (ii) the agreement entered into by and among the parties on April 14, 2020;

(s) The second supplemental agreement entered into by and among Shenzhen Innovative Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership)* (深圳市福田紅土股權投資基金合夥企業(有限合夥)), Hongtu Heding (Zhuhai) Industrial Development Fund Limited Partnership* (紅土和鼎(珠海)產業投資基金(有限合夥)), Beijing Yitang Hongtu Integrated Circuit and Internet Investment Fund Center Limited Partnership* (北京屹唐紅土積體電路與互聯網投資基金中心(有限合夥)), our Company, Mr. Yu, Hongyuan Shanguo, Hengyili Investment, Zhangshu City Mirun Investment Management Center Limited Partnership* (樟樹市米潤投資管理中心(有限合夥)), Hengwang and Renhua Dongsheng Investment Management Center Limited Partnership* (樟樹市仁華東昇投資管理中心(有限合夥)) ("**Renhua Dongsheng**") on February 1, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the first supplemental agreement thereto entered into by and among the parties on May 18, 2018, (ii) the second supplemental agreement to the aforementioned investment agreement entered into by and among the parties in April 2019, and (iii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 13, 2020;

(t) The second supplemental agreement entered into by and among Suzhou Yuanhan, our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on January 19, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties and CICC Haoze in 2018, and (ii) the agreement and the supplemental agreement entered into by and among the parties on May 16, 2020;

(u) The second supplemental agreement entered into by and among Ningbo Meishan Bonded Port District Zhichun Equity Investment Partnership Limited Partnership* (寧波梅山保稅港區知春股權投資合夥企業(有限合夥)), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on February 5, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the supplemental agreement thereto entered into by and among the parties on May 30, 2018, (ii) the termination agreement regarding shareholders' special rights and the supplemental agreement thereto entered into by and among the parties on May 28, 2020;

(v) The second supplemental agreement entered into by and among Guangzhou Yuexiu Innovative Industry No. 2 Investment Fund Partnership Limited Partnership* (廣州越秀新興產業二期投資基金合夥企業(有限合夥)) ("**Guangzhou Yuexiu**"), our Company, Mr. Yu, Hongyuan Shanguo, Hengyili Investment on March 22, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the first supplemental agreement thereto entered into by and among the parties in June 2018, (ii) the second supplemental agreement to the aforementioned investment agreement entered into by and among the parties in June 2019, and (iii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 31, 2020 (together with the second supplemental agreement, the "**Guangzhou Yuexiu Agreements**");

(w) The third supplemental agreement entered into by and among Guangzhou Yuexiu, our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on December 27, 2021, pursuant to which the parties agreed on further terms and conditions in relation to the Guangzhou Yuexiu Agreements;

(x) The second supplemental agreement entered into by and among Guangzhou Mingrui No. 8 Industry Investment Partnership Limited Partnership* (廣州明睿八號實業投資合夥企業(有限合夥)) ("**Mingrui No. 8**"), our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on March 22, 2021, pursuant to which the parties agreed to amend and confirm certain terms and matters in relation to (i) the investment agreement and the first supplemental agreement thereto entered into by and among the parties in June 8, 2018, (ii) the second supplemental agreement to the aforementioned investment agreement entered into by and among the parties in June 2019, and (iii) the agreement and the supplemental agreement thereto entered into by and among the parties on May 31, 2020 (together with the second supplemental agreement, the "**Mingrui No. 8 Agreements**"); and

(y) The third supplemental agreement entered into by and among Mingrui No. 8, our Company, Mr. Yu, Hongyuan Shanguo and Hengyili Investment on December 27, 2021, pursuant to which the parties agreed on further terms and conditions in relation to the Mingrui No. 8 Agreements.

2. Intellectual Property Rights of the Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the registration of the following trademarks which are material to our business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
1.	百果园	9	Company	PRC	16061008	March 7, 2016	March 6, 2026
2.	百果园	16	Company	PRC	6807649	April 7, 2020	April 6, 2030
3.	百果园	35	Company	PRC	6807648	July 21, 2020	July 20, 2030
4.	百果园	35	Company	PRC	18346265	January 28, 2018	January 27, 2028
5.		31	Company	PRC	6807643	March 28, 2020	March 27, 2030
6.		35	Company	PRC	6807644	July 28, 2020	July 27, 2030
7.	百果园	35	Company	PRC	15560902	December 7, 2015	December 6, 2025
8.		9	Company	PRC	18908330	February 21, 2017	February 20, 2027
9.		16	Company	PRC	18904430	February 21, 2017	February 20, 2027
10.		29	Company	PRC	15560664	December 14, 2015	December 13, 2025
11.		31	Company	PRC	15560763	December 14, 2015	December 13, 2025
12.		35	Company	PRC	15560819	December 7, 2015	December 6, 2025
13.		35	Company	PRC	18346679	December 21, 2016	December 20, 2026
14.	百果园	35	Company	PRC	19720607	October 7, 2017	October 6, 2027
15.	PAGODA	31	Company	PRC	19516885	May 14, 2017	May 13, 2027

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
16.	PAGODA	35	Company	PRC	19517036	May 14, 2017	May 13, 2027
17.	PAGODA	31	Company	PRC	19516858	May 14, 2017	May 13, 2027
18.	PAGODA	35	Company	PRC	19517003	May 14, 2017	May 13, 2027
19.	百果园	16	Company	PRC	29468184	January 14, 2019	January 13, 2029
20.	百果园	16	Company	PRC	29487027	May 28, 2019	May 27, 2029
21.	百果园 PAGODA	9	Company	PRC	29673352	June 21, 2019	June 20, 2029
22.	百果园 PAGODA	16	Company	PRC	29678509	September 28, 2019	September 27, 2029
23.	百果园	35	Company	PRC	31821743	April 14, 2020	April 13, 2030
24.	PAGODA	31	Company	PRC	31810365	July 21, 2019	July 20, 2029
25.	PAGODA	35	Company	PRC	31821778	December 28, 2019	December 27, 2029
26.	PAGODA	31	Company	HK	304626180	August 7, 2018	August 6, 2028
27.	PAGODA	35	Company	HK	304626180	August 7, 2018	August 6, 2028
28.	PAGODA	31	Company	PRC	31819759	July 21, 2019	July 20, 2029
29.	PAGODA	35	Company	PRC	31821783	December 28, 2019	December 27, 2029
30.		31	Company	PRC	31818209	April 14, 2019	April 13, 2029
31.		35	Company	PRC	31817085	April 14, 2019	April 13, 2029
32.	猴果滋	32	Company	PRC	29493811	January 14, 2019	January 13, 2029
33.	百果心享	9	Company	PRC	33199042	May 28, 2019	May 27, 2029
34.	百果心享	16	Company	PRC	33199061	May 28, 2019	May 27, 2029
35.	百果心享	29	Company	PRC	33205583	June 7, 2019	June 6, 2029
36.	百果心享	30	Company	PRC	33196824	August 14, 2019	August 13, 2029
37.	百果心享	31	Company	PRC	33192573	June 7, 2019	June 6, 2029

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
38.	百果心享	35	Company	PRC	33192568	May 28, 2019	May 27, 2029
39.	猴果滋	32	Company	PRC	33127851	September 28, 2019	September 27, 2029
40.	红芭蕾	31	Company	PRC	38161719	January 14, 2020	January 13, 2030
41.	干货猩球 GANHUO PLANET	29	Company	PRC	38853396	February 21, 2020	February 20, 2030
42.	万里寻鲜记	31	Company	PRC	47855259	March 7, 2021	March 6, 2031
43.	万里寻鲜记	35	Company	PRC	47855263	March 7, 2021	March 6, 2031
44.	千里寻鲜记	31	Company	PRC	47861544	March 7, 2021	March 6, 2031
45.	千里寻鲜记	35	Company	PRC	47875884	March 7, 2021	March 6, 2031
46.		31	Company	PRC	53900987	September 14, 2021	September 13, 2031
47.	熊猫大鲜	35	Pagoda Xinxiang	PRC	49388415	April 28, 2021	April 27, 2031
48.	熊猫大鲜	20	Pagoda Xinxiang	PRC	49666603	May 7, 2021	May 6, 2031
49.	熊猫大鲜	21	Pagoda Xinxiang	PRC	49697721	June 7, 2021	June 6, 2031
50.	熊猫大鲜	32	Pagoda Xinxiang	PRC	49676823	May 7, 2021	May 6, 2031
51.	熊猫大鲜	31	Pagoda Xinxiang	PRC	49689558	June 7, 2021	June 6, 2031
52.	熊猫大鲜	28	Pagoda Xinxiang	PRC	49671015	April 28, 2021	April 27, 2031
53.	熊猫大鲜	30	Pagoda Xinxiang	PRC	49686137	May 7, 2021	May 6, 2031
54.	熊猫大鲜	18	Pagoda Xinxiang	PRC	49689327	June 7, 2021	June 6, 2031
55.	熊猫大鲜	41	Pagoda Xinxiang	PRC	49673698	April 21, 2021	April 20, 2031
56.	熊猫大鲜	11	Pagoda Xinxiang	PRC	49685390	April 28, 2021	April 27, 2031
57.	熊猫大鲜	10	Pagoda Xinxiang	PRC	49666234	May 7, 2021	May 6, 2031
58.	熊猫大鲜	16	Pagoda Xinxiang	PRC	49677856	May 7, 2021	May 6, 2031

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
59.	熊猫大鲜	03	Pagoda Xinxiang	PRC	49698176	May 7, 2021	May 6, 2031
60.	熊猫大鲜	29	Pagoda Xinxiang	PRC	53530594	October 7, 2021	October 6, 2031
61.		42	Pagoda Xinxiang	PRC	50892162	November 28, 2021	November 27, 2031
62.		30	Pagoda Xinxiang	PRC	50914323	September 7, 2021	September 6, 2031
63.		35	Pagoda Xinxiang	PRC	50920297	September 7, 2021	September 6, 2031
64.		31	Pagoda Xinxiang	PRC	50920284	September 7, 2021	September 6, 2031
65.		29	Pagoda Xinxiang	PRC	50926892	September 7, 2021	September 6, 2031
66.		09	Pagoda Xinxiang	PRC	50929819	September 14, 2021	September 13, 2031
67.		32	Pagoda Xinxiang	PRC	50917206	September 7, 2021	September 6, 2031
68.		16	Pagoda Xinxiang	PRC	50926886	September 7, 2021	September 6, 2031
69.	果多美	29	Company	PRC	16251813	August 28, 2018	August 27, 2028
70.		29	Company	PRC	23149155	March 7, 2018	March 6, 2028
71.	果多美	31	Company	PRC	13530398	May 14, 2016	May 13, 2026
72.		31	Company	PRC	16199953	April 14, 2016	April 13, 2026
73.	GUODUOMEI	31	Company	PRC	17108982	October 28, 2016	October 27, 2026
74.		31	Company	PRC	23149156	March 7, 2018	March 6, 2028
75.	果多美	35	Company	PRC	8380389	July 14, 2021	July 13, 2031
76.		35	Company	PRC	9217738	June 21, 2022	June 20, 2032
77.	果多美	35	Company	PRC	16249653A	May 21, 2016	May 20, 2026
78.	GUODUOMEI	35	Company	PRC	17108983	August 21, 2016	August 20, 2026

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79.		35	Company	PRC	23149157	March 07, 2018	March 06, 2028
80.	果多美	35	Company	PRC	24954323	June 21, 2018	June 20, 2028
81.	果多美	31	Company	PRC	24954321	September 14, 2018	September 13, 2028
82.		35	Company	PRC	55005304	October 21, 2021	October 20, 2031
83.		09	Company	PRC	55000064	October 21, 2021	October 20, 2031
84.		29	Company	PRC	55005642	October 21, 2021	October 20, 2031
85.		32	Company	PRC	55005276	October 21, 2021	October 20, 2031
86.		43	Company	PRC	54986774	October 21, 2021	October 20, 2031
87.		31	Company	PRC	55017055	October 21, 2021	October 20, 2031
88.		33	Company	PRC	55009050	October 21, 2021	October 20, 2031
89.		39	Company	PRC	54995562	October 21, 2021	October 20, 2031
90.		30	Company	PRC	54986705	October 21, 2021	October 20, 2031
91.	果多美	30	Company	PRC	55910689	December 7, 2021	December 6, 2031
92.	果多美	31	Company	PRC	55916784	December 7, 2021	December 6, 2031
93.	果多美	35	Company	PRC	55933768	December 7, 2021	December 6, 2031
94.	果多美	32	Company	PRC	55921483	December 7, 2021	December 6, 2031
95.	果多美	43	Company	PRC	55937413	December 7, 2021	December 6, 2031
96.	嘻拼果切	32	Company	PRC	55245798	November 28, 2021	November 27, 2031
97.	嘻拼果切	35	Company	PRC	55251978	November 28, 2021	November 27, 2031
98.	嘻拼果切	32	Company	PRC	55256372	November 28, 2021	November 27, 2031

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99.	嘻拼果切	35	Company	PRC	55239725	November 28, 2021	November 27, 2031
100.	嘻拼果切	09	Company	PRC	55270387	November 28, 2021	November 27, 2031
101.	嘻拼果切	09	Company	PRC	55255550	November 28, 2021	November 27, 2031
102.	嘻拼果切	30	Company	PRC	55261578	December 7, 2021	December 6, 2031
103.	嘻拼果切	30	Company	PRC	55239664	December 7, 2021	December 6, 2031
104.	吸个	31	Pagoda Brand	PRC	38315461	January 14, 2020	January 13, 2030
105.	慕美人	31	Pagoda Brand	PRC	36100996	September 7, 2019	September 6, 2029
106.	青魁	31	Pagoda Brand	PRC	36258468	September 21, 2019	September 20, 2029
107.	蜜思卡	31	Pagoda Brand	PRC	36335503	October 7, 2019	October 6, 2029
108.	蜜斯卡	31	Pagoda Brand	PRC	36347614	October 7, 2019	October 6, 2029
109.	少女羞	31	Pagoda Brand	PRC	36411059	November 21, 2019	November 20, 2029
110.	帅麒麟	31	Pagoda Brand	PRC	36778857	November 14, 2019	November 13, 2029
111.	蓝雾	31	Pagoda Brand	PRC	37744821	December 14, 2019	December 13, 2029
112.	羞答答	31	Pagoda Brand	PRC	37754847	December 14, 2019	December 13, 2029
113.	香风	31	Pagoda Brand	PRC	38395605	April 28, 2020	April 27, 2030
114.	软香玉	31	Pagoda Brand	PRC	38574580	January 28, 2020	January 27, 2030
115.	新果果家	31	Pagoda Brand	PRC	38942609	June 14, 2020	June 13, 2030
116.	新果果家	35	Pagoda Brand	PRC	38947033	June 28, 2020	June 27, 2030
117.	吊猴	35	Pagoda Brand	PRC	39173844	February 14, 2020	February 13, 2030
118.	吊猴	31	Pagoda Brand	PRC	39179691	February 14, 2020	February 13, 2030
119.	金花瓣	31	Pagoda Brand	PRC	39811114	March 14, 2020	March 13, 2030

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
120.	蜜焰	31	Pagoda Brand	PRC	39810482	March 14, 2020	March 13, 2030
121.	大芭	31	Pagoda Brand	PRC	40808634	April 21, 2020	April 20, 2030
122.	重心	31	Pagoda Brand	PRC	41415602	July 21, 2020	July 20, 2030
123.	霜妃	31	Pagoda Brand	PRC	41436601	July 28, 2020	July 27, 2030
124.	软腰	31	Pagoda Brand	PRC	41424952	July 21, 2020	July 20, 2030
125.	黄如意	31	Pagoda Brand	PRC	41424939	July 21, 2020	July 20, 2030
126.	天熟	31	Pagoda Brand	PRC	41436642	July 28, 2020	July 27, 2030
127.	香焰	31	Pagoda Brand	PRC	41431299	July 28, 2020	July 27, 2030
128.	东露	31	Pagoda Brand	PRC	41447475	July 21, 2020	July 20, 2030
129.	芭下谷	31	Pagoda Brand	PRC	41436587	July 21, 2020	July 20, 2030
130.	庭榴	31	Pagoda Brand	PRC	41436613	July 28, 2020	July 27, 2030
131.	花凰	31	Pagoda Brand	PRC	41439096	July 28, 2020	July 27, 2030
132.	香葫芦	31	Pagoda Brand	PRC	41418563	July 21, 2020	July 20, 2030
133.	雪纹	31	Pagoda Brand	PRC	42080304	June 28, 2020	June 27, 2030
134.	小金月	31	Pagoda Brand	PRC	42083667	June 28, 2020	June 27, 2030
135.	云音	31	Pagoda Brand	PRC	42086551	June 28, 2020	June 27, 2030
136.	一汪秋水	31	Pagoda Brand	PRC	42070859	June 28, 2020	June 27, 2030
137.	迷津	31	Pagoda Brand	PRC	42070890	June 28, 2020	June 27, 2030
138.	晴水	31	Pagoda Brand	PRC	42080658	June 28, 2020	June 27, 2030
139.	黑藤	31	Pagoda Brand	PRC	42324099	October 7, 2020	October 6, 2030
140.	牛顿	31	Pagoda Brand	PRC	42327835	November 28, 2020	November 27, 2030

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
141.	高山阳乐	31	Pagoda Brand	PRC	42461229	July 28, 2020	July 27, 2030
142.	高山阳乐	35	Pagoda Brand	PRC	42486916	July 28, 2020	July 27, 2030
143.	喜妮	31	Pagoda Brand	PRC	43015631	December 14, 2020	December 13, 2030
144.	伴雪	31	Pagoda Brand	PRC	43025938	September 21, 2020	September 20, 2030
145.	雪妞	31	Pagoda Brand	PRC	43027768	September 14, 2020	September 13, 2030
146.	糯凰	31	Pagoda Brand	PRC	43027749	September 28, 2020	September 27, 2030
147.	金妮	31	Pagoda Brand	PRC	43015640	September 21, 2020	September 20, 2030
148.	笑心	31	Pagoda Brand	PRC	43030116	September 21, 2020	September 20, 2030
149.	纸虎金	31	Pagoda Brand	PRC	43172381	August 21, 2020	August 20, 2030
150.	灿月	31	Pagoda Brand	PRC	43694994	October 21, 2020	October 20, 2030
151.	雪纹	31	Pagoda Brand	PRC	43699655	October 21, 2020	October 20, 2030
152.	吟霜	31	Pagoda Brand	PRC	43699668	October 21, 2020	October 20, 2030
153.	月临	31	Pagoda Brand	PRC	43707792	October 21, 2020	October 20, 2030
154.	清焰	31	Pagoda Brand	PRC	43691030	October 21, 2020	October 20, 2030
155.	伴疆月	31	Pagoda Brand	PRC	43692541	October 21, 2020	October 20, 2030
156.	春彤	31	Pagoda Brand	PRC	43703205	October 21, 2020	October 20, 2030
157.	杰记丰	35	Pagoda Brand	PRC	43680049	October 21, 2020	October 20, 2030
158.	拂冬	31	Pagoda Brand	PRC	43704752	October 21, 2020	October 20, 2030
159.	赛太阳	31	Pagoda Brand	PRC	43695026	October 21, 2020	October 20, 2030
160.	雪吻	31	Pagoda Brand	PRC	43704788	October 21, 2020	October 20, 2030
161.	慕美人	31	Pagoda Brand	PRC	44367236	October 21, 2020	October 20, 2030

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
162.	全肉金	31	Pagoda Brand	PRC	44358484	October 28, 2020	October 27, 2030
163.	宝岛甜心	31	Pagoda Brand	PRC	44356524	October 28, 2020	October 27, 2030
164.	甜吻	31	Pagoda Brand	PRC	44356521	October 28, 2020	October 27, 2030
165.	远来香	31	Pagoda Brand	PRC	44370783	October 21, 2020	October 20, 2030
166.	花开金	31	Pagoda Brand	PRC	44350764	November 14, 2020	November 13, 2030
167.	爽不让	31	Pagoda Brand	PRC	44355558	November 14, 2020	November 13, 2030
168.	叶莺	31	Pagoda Brand	PRC	44458585	November 21, 2020	November 20, 2030
169.	竹雀	31	Pagoda Brand	PRC	44465434	November 14, 2020	November 13, 2030
170.	鹤尾	31	Pagoda Brand	PRC	44440780	November 14, 2020	November 13, 2030
171.	遇金香	31	Pagoda Brand	PRC	44830657	January 28, 2021	January 27, 2031
172.	青羽香	31	Pagoda Brand	PRC	44928145	December 14, 2020	December 13, 2030
173.	落金香	31	Pagoda Brand	PRC	44937059	December 14, 2020	December 13, 2030
174.	北美之恋	31	Pagoda Brand	PRC	45453580	November 28, 2020	November 27, 2030
175.	瓣蜜	31	Pagoda Brand	PRC	46895980	February 28, 2021	February 27, 2031
176.	丹炎	31	Pagoda Brand	PRC	46863336	February 28, 2021	February 27, 2031
177.	夕纱	31	Pagoda Brand	PRC	46878449	March 7, 2021	March 6, 2031
178.	小太阳	31	Pagoda Brand	PRC	46882303	May 14, 2021	May 13, 2031
179.	绵霞	31	Pagoda Brand	PRC	46883077	February 28, 2021	February 27, 2031
180.	红拂	31	Pagoda Brand	PRC	46866283	May 7, 2021	May 6, 2031
181.	妃色	31	Pagoda Brand	PRC	46893667	March 7, 2021	March 6, 2031
182.	奶皇	31	Pagoda Brand	PRC	46899188	April 7, 2021	April 6, 2031

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183.	香风	31	Pagoda Brand	PRC	46878451	May 7, 2021	May 6, 2031
184.	月白	31	Pagoda Brand	PRC	46893664	February 28, 2021	February 27, 2031
185.	任杏	31	Pagoda Brand	PRC	46886421	May 21, 2021	May 20, 2031
186.	认杏	31	Pagoda Brand	PRC	46863297	May 7, 2021	May 6, 2031
187.	九瓣爽	31	Pagoda Brand	PRC	46905659	February 7, 2021	February 6, 2031
188.	大莲	31	Pagoda Brand	PRC	47570426	February 14, 2021	February 13, 2031
189.	蓝雾	35	Pagoda Brand	PRC	47535046	February 7, 2021	February 6, 2031
190.	香焰	31	Pagoda Brand	PRC	47573879	February 7, 2021	February 6, 2031
191.	夏雪	31	Pagoda Brand	PRC	48352585	March 14, 2021	March 13, 2031
192.	晚三月	31	Pagoda Brand	PRC	48683995	June 7, 2021	June 6, 2031
193.	高山润	31	Pagoda Brand	PRC	49191714	March 28, 2021	March 27, 2031
194.	状元花马家	31	Pagoda Brand	PRC	49373098	April 7, 2021	April 6, 2031
195.	胭脂球	31	Pagoda Brand	PRC	49442990	April 7, 2021	April 6, 2031
196.	紫气东来	31	Pagoda Brand	PRC	49421796	July 14, 2021	July 13, 2031
197.	胭脂泪	31	Pagoda Brand	PRC	49421789	April 7, 2021	April 6, 2031
198.	大粉	31	Pagoda Brand	PRC	49421782	April 7, 2021	April 6, 2031
199.	粉色诱惑	31	Pagoda Brand	PRC	49431380	April 21, 2021	April 20, 2031
200.	六宫粉黛	31	Pagoda Brand	PRC	49421786	April 7, 2021	April 6, 2031
201.	织悦	31	Pagoda Brand	PRC	50471264	June 14, 2021	June 13, 2031
202.	白纹玉	31	Pagoda Brand	PRC	50488286	July 7, 2021	July 6, 2031
203.		31	Pagoda Brand	PRC	50472960	June 21, 2021	June 20, 2031

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204.	纸虎金	31	Pagoda Brand	PRC	52372303	August 21, 2021	August 20, 2031
205.	黄派	31	Pagoda Brand	PRC	52363516	August 21, 2021	August 20, 2031
206.	小棕核	31	Pagoda Brand	PRC	53537312	August 28, 2021	August 27, 2031
207.	星轨	31	Pagoda Brand	PRC	53523489	August 28, 2021	August 27, 2031
208.	江月蜜	31	Pagoda Brand	PRC	53532470	August 28, 2021	August 27, 2031
209.	香玉满	31	Pagoda Brand	PRC	53521881	November 28, 2021	November 27, 2031
210.	喜风蜜	31	Pagoda Brand	PRC	53532509	August 28, 2021	August 27, 2031
211.	流莹	31	Pagoda Brand	PRC	53529186	September 7, 2021	September 6, 2031
212.	引蝶	31	Pagoda Brand	PRC	53522236	August 28, 2021	August 27, 2031
213.	莹香玉	31	Pagoda Brand	PRC	53538300	August 28, 2021	August 27, 2031
214.	香玉翠	31	Pagoda Brand	PRC	53529521	August 28, 2021	August 27, 2031
215.	玉蔻	31	Pagoda Brand	PRC	53515114	August 28, 2021	August 27, 2031
216.	雪音	31	Pagoda Brand	PRC	53531193	August 28, 2021	August 27, 2031
217.	珊瑚雪	31	Pagoda Brand	PRC	54007572	September 28, 2021	September 27, 2031
218.	红风铃	31	Pagoda Brand	PRC	54005289	September 28, 2021	September 27, 2031
219.	蜜陀螺	31	Pagoda Brand	PRC	54007544	September 28, 2021	September 27, 2031
220.	沙漠泉	31	Pagoda Brand	PRC	53999443	December 21, 2021	December 20, 2031
221.	火珊瑚	31	Pagoda Brand	PRC	53990661	September 28, 2021	September 27, 2031
222.	水铃铛	31	Pagoda Brand	PRC	54018339	September 28, 2021	September 27, 2031
223.	黑水晶	31	Pagoda Brand	PRC	53996584	September 28, 2021	September 27, 2031
224.	红玉风铃	31	Pagoda Brand	PRC	54019113	September 28, 2021	September 27, 2031

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225.	火铃铛	31	Pagoda Brand	PRC	53990647	September 21, 2021	September 20, 2031
226.	红盏	31	Pagoda Brand	PRC	53998584	September 28, 2021	September 27, 2031
227.	水咩咩	31	Pagoda Brand	PRC	54018346	September 28, 2021	September 27, 2031
228.	黑糖风铃	31	Pagoda Brand	PRC	53990877	September 28, 2021	September 27, 2031
229.	水风铃	31	Pagoda Brand	PRC	54015108	September 28, 2021	September 27, 2031
230.	六龟	31	Pagoda Brand	PRC	54017294	September 28, 2021	September 27, 2031
231.	水风铃	35	Pagoda Brand	PRC	54234879	October 21, 2021	October 20, 2031
232.	皮克	31	Pagoda Brand	PRC	54839617	October 28, 2021	October 27, 2031
233.	小鲜紫	31	Pagoda Brand	PRC	54826796	October 28, 2021	October 27, 2031
234.	水流香	31	Pagoda Brand	PRC	54834723	October 28, 2021	October 27, 2031
235.	瑞麒麟	31	Pagoda Brand	PRC	55035157	November 7, 2021	November 6, 2031
236.	摘桂冠	31	Pagoda Brand	PRC	55283645	November 21, 2021	November 20, 2031
237.	玉翘	31	Pagoda Brand	PRC	55302752	November 21, 2021	November 20, 2031
238.	白晶晶	31	Pagoda Brand	PRC	55280070	November 21, 2021	November 20, 2031
239.	桂小核	31	Pagoda Brand	PRC	55280091	November 21, 2021	November 20, 2031
240.	桂小核	35	Pagoda Brand	PRC	55305784	November 21, 2021	November 20, 2031
241.	玉俏	31	Pagoda Brand	PRC	55283636	November 14, 2021	November 13, 2031
242.	冰川脆	31	Pagoda Brand	PRC	55750554	November 21, 2021	November 20, 2031
243.	榴两盒	31	Pagoda Brand	PRC	55769704	November 21, 2021	November 20, 2031
244.	晴妮王	31	Pagoda Brand	PRC	55750564	February 7, 2022	February 6, 2032
245.	花虎皮	31	Pagoda Brand	PRC	55815818	November 28, 2021	November 27, 2031

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
246.	甜月亮	31	Pagoda Brand	PRC	55791797	November 28, 2021	November 27, 2031
247.	青虎	31	Pagoda Brand	PRC	55798060	November 28, 2021	November 27, 2031
248.	榴塔	31	Pagoda Brand	PRC	56090093	December 21, 2021	December 20, 2031
249.	晚三月	31	Pagoda Brand	PRC	56098417	December 14, 2021	December 13, 2031
250.	花凰	31	Pagoda Brand	PRC	56099654	December 14, 2021	December 13, 2031
251.	火粉	31	Pagoda Brand	PRC	56093179	December 14, 2021	December 13, 2031
252.	亚克	31	Pagoda Brand	PRC	56356989	December 14, 2021	December 13, 2031
253.	晚哟	31	Pagoda Brand	PRC	56350702	December 14, 2021	December 13, 2031
254.	晚悠悠	31	Pagoda Brand	PRC	56358174	December 14, 2021	December 13, 2031
255.		9, 16, 29, 31, 32, 35	Company	Hong Kong	304626199	August 7, 2018	August 6, 2028
256.	百果园	9	Company	Hong Kong	304626207	August 7, 2018	August 6, 2028
257.	百果园之家	35	Company	PRC	59476538	March 21, 2022	March 20, 2032
258.	三个零	31	Company	PRC	58947024	March 28, 2022	March 27, 2032
259.	三零有菜味	35	Company	PRC	59101366	March 7, 2022	March 6, 2032
260.	三个零	29	Company	PRC	59096704	May 14, 2022	May 13, 2032
261.	三零有菜味	29	Company	PRC	59093374	March 7, 2022	March 6, 2032
262.	三个零	30	Company	PRC	59081489	May 14, 2022	May 13, 2032
263.	珍果切	35	Company	PRC	58583954	February 14, 2022	February 13, 2032
264.	嘻拼果切	29	Company	PRC	55263825	January 28, 2022	January 27, 2032
265.	嘻拼果切	29	Company	PRC	55240098	January 28, 2022	January 27, 2032

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Registration date	Expiry date
266.	金花瓣	31	Pagoda Brand	PRC	60002125	April 21, 2022	April 20, 2032
267.	小太阳	31	Pagoda Brand	PRC	59867479	April 21, 2022	April 20, 2032
268.	火虹	31	Pagoda Brand	PRC	59865770	March 28, 2022	March 27, 2032
269.	甜不让	31	Pagoda Brand	PRC	59694355	March 14, 2022	March 13, 2032
270.	桔外桔	31	Pagoda Brand	PRC	59335408	May 28, 2022	May 27, 2032
271.	黄金虎	31	Pagoda Brand	PRC	58560902	February 21, 2022	February 20, 2032
272.	一口吻	31	Pagoda Brand	PRC	57325740	January 21, 2022	January 20, 2032
273.	火虹	31	Pagoda Brand	PRC	57036633	January 7, 2022	January 6, 2032
274.	火锦	31	Pagoda Brand	PRC	57031783	January 14, 2022	January 13, 2032
275.	吸虹	31	Pagoda Brand	PRC	57024901	January 7, 2022	January 6, 2032
276.	香风翡翠	31	Pagoda Brand	PRC	56129714	February 7, 2022	February 6, 2032
277.	紫星	31	Pagoda Brand	PRC	54828195	January 21, 2022	January 20, 2032
278.	有点榴	31	Pagoda Brand	PRC	56329956	December 21, 2021	December 20, 2031
279.	晚紫	31	Pagoda Brand	PRC	56329941	December 21, 2021	December 20, 2031
280.	奶皇	31	Pagoda Brand	PRC	56106889	December 21, 2021	December 20, 2031
281.	榴玖	31	Pagoda Brand	PRC	56105579	December 21, 2021	December 20, 2031
282.	熊猫大鲜	30	Pagoda Xinxiang	PRC	57325707	January 21, 2022	January 20, 2032
283.	熊猫大鲜	33	Pagoda Xinxiang	PRC	49686011	June 7, 2021	June 6, 2031

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
1.	三个零	31	Company	PRC	63758334	April 2, 2022
2.	三个零有菜味	31	Company	PRC	63741479	April 2, 2022
3.	京城果王	31	Company	PRC	66166621	July 25, 2022
4.	京城果王	35	Company	PRC	66178951	July 25, 2022
5.	蓝雾	31	Pagoda Brand	PRC	59699117	October 9, 2021
6.	水风铃	31	Pagoda Brand	PRC	62815360	February 24, 2022
7.	爆珠	31	Pagoda Brand	PRC	63266754	March 15, 2022
8.	青虎	31	Pagoda Brand	PRC	63281455	March 15, 2022
9.	心荔	31	Pagoda Brand	PRC	63739972	April 2, 2022
10.	铿锵	31	Pagoda Brand	PRC	63747854	April 2, 2022
11.	厚嘟嘟	31	Pagoda Brand	PRC	63756827	April 2, 2022
12.	滑荔	31	Pagoda Brand	PRC	63763195	April 2, 2022
13.	黄炎蜜	31	Pagoda Brand	PRC	64045826	April 18, 2022
14.	一品官	31	Pagoda Brand	PRC	64052763	April 18, 2022
15.	新果果家 XINGUOGUOJIA	31	Pagoda Brand	PRC	64532952	May 10, 2022
16.	新果果家 XINGUOGUOJIA	35	Pagoda Brand	PRC	64517082	May 10, 2022

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
17.	新果果家 XINGUOGUOJIA	31	Pagoda Brand	PRC	64514874	May 10, 2022
18.	新果果家 XINGUOGUOJIA	35	Pagoda Brand	PRC	64505055	May 10, 2022
19.	青酪玉	31	Pagoda Brand	PRC	64930706	May 27, 2022
20.	青酪	31	Pagoda Brand	PRC	64913150	May 27, 2022
21.	百果切切乐	29	Pagoda Brand	PRC	66131541	July 22, 2022
22.	百果切切乐	29	Pagoda Brand	PRC	66143857	July 22, 2022
23.	红福添	31	Pagoda Brand	PRC	66146190	July 22, 2022
24.	满水	31	Pagoda Brand	PRC	66149347	July 22, 2022
25.	甜翘	31	Pagoda Brand	PRC	66141989	July 22, 2022
26.	软香玉	31	Pagoda Brand	PRC	66146948	July 22, 2022
27.	肥凰	31	Pagoda Brand	PRC	66145471	July 22, 2022
28.	百果切切乐	31	Pagoda Brand	PRC	66137666	July 22, 2022
29.	肥皇	31	Pagoda Brand	PRC	66145467	July 22, 2022
30.	满水红	31	Pagoda Brand	PRC	66129710	July 22, 2022
31.	小弯刀	31	Pagoda Brand	PRC	66124058	July 22, 2022
32.	亚克	31	Pagoda Brand	PRC	66336140	August 2, 2022
33.	百果切切乐	29	Pagoda Brand	PRC	66338660	August 2, 2022

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
34.	百果切切乐	31	Pagoda Brand	PRC	66340127	August 2, 2022
35.	百果 切切乐	31	Pagoda Brand	PRC	66340130	August 2, 2022
36.	切切乐	31	Pagoda Brand	PRC	66343313	August 2, 2022
37.	百果 切切乐	29	Pagoda Brand	PRC	66344532	August 2, 2022
38.	红瓣蜜	31	Pagoda Brand	PRC	66346167	August 2, 2022
39.	晴天百果	31	Pagoda Brand	PRC	66346657	August 2, 2022
40.	大方果切	31	Pagoda Brand	PRC	66351023	August 2, 2022
41.	大方果切	29	Pagoda Brand	PRC	66354592	August 2, 2022
42.	百果快乐切	29	Pagoda Brand	PRC	66358479	August 2, 2022
43.	百果快乐切	31	Pagoda Brand	PRC	66358493	August 2, 2022
44.	大芭	30	Pagoda Brand	PRC	66630117	August 16, 2022
45.	小熊乐乐	29	Baiguo Xinxiang	PRC	65644308	June 29, 2022
46.	小熊乐乐	30	Baiguo Xinxiang	PRC	65629013	June 29, 2022
47.	甜指	31	Shenzhen Sangeling	PRC	65524348	June 24, 2022

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration date	Expiry date
1.	pagoda.com.cn	Company	December 16, 2002	December 16, 2027
2.	guoduomei.com.cn ..	Company	July 15, 2010	July 15, 2023

(c) Patents

As of the Latest Practicable Date, we have registered the following patents in the PRC which are material to our business:

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
1.	An arm for fruit screening (用於水果篩選的機械臂)	Utility model	Company	CN201621054041.X	September 14, 2016	April 26, 2017
2.	Paste mark equipment (貼標設備)	Utility model	Company	CN201621054062.1	September 14, 2016	April 26, 2017
3.	Fruit conveyer (水果傳送裝置)	Utility model	Company	CN201621053990.6	September 14, 2016	April 5, 2017
4.	Film conveyer (薄膜傳送裝置)	Utility model	Company	CN201621054061.7	September 14, 2016	April 12, 2017
5.	A bag making equipment for fruit packing (用於水果包裝的製袋設備)	Utility model	Company	CN201621054038.8	September 14, 2016	April 12, 2017
6.	System bag former (製袋成型器)	Utility model	Company	CN201621054048.1	September 14, 2016	April 12, 2017
7.	Sieving mechanism of weighing (稱重篩選裝置)	Utility model	Company	CN201621054034.X	September 14, 2016	April 26, 2017
8.	Display Case (Stream Type) (展示櫃(溪流式))	Design	Company	CN201330211329.9	May 23, 2013	December 11, 2013
9.	Cashier (收銀台)	Design	Company	CN201330211330.1	May 23, 2013	December 11, 2013
10.	Nakamura's Showcase with Article Supply Mechanism (中島展示台)	Design	Company	CN201830391760.9	July 19, 2018	January 11, 2019
11.	Shelves (貨架)	Design	Company	CN201830391505.4	July 19, 2018	January 11, 2019
12.	Cashier (收銀台)	Design	Company	CN201830391502.0	July 19, 2018	March 19, 2019
13.	Bar Counter (吧台)	Design	Company	CN201830390882.6	July 19, 2018	April 19, 2019
14.	Fruit Cabinet with Lights (水果燈箱)	Design	Company	CN201830391504.X	July 19, 2018	July 12, 2019
15.	Vertical Display Cabinet (Wave Plate) (立式展櫃(波浪板))	Design	Company	CN201830391767.0	July 19, 2018	July 12, 2019
16.	A kind of navel orange plantation seedling culture basin (一種臍橙種植用幼苗培養盆)	Utility model	Jiangxi Wangpin	CN201821471151.5	September 10, 2018	April 2, 2019
17.	Support frame is used in a kind of plantation of navel orange (一種臍橙種植用扶持架)	Utility model	Jiangxi Wangpin	CN201821471152.X	September 10, 2018	April 2, 2019
18.	A kind of navel orange seedling growth chemical spraying device (一種臍橙苗木種植噴藥裝置)	Utility model	Jiangxi Wangpin	CN201821448561.8	September 5, 2018	April 2, 2019

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
19.	A kind of screening plant of navel orange (一種臍橙的篩選裝置).	Utility model	Jiangxi Wangpin	CN201821453054.3	September 5, 2018	August 6, 2019
20.	A kind of planting fruit trees pollination bar (一種果樹種植授粉桿).	Utility model	Jiangxi Wangpin	CN201720874924.3	July 19, 2017	March 16, 2018
21.	A kind of fruit process blue or green jujube interval charging sorting mechanism (一種水果加工用青棗間歇加料分選機構)	Utility model	Jiangxi Wangpin	CN201720691193.9	June 14, 2017	March 16, 2018
22.	A kind of fructus hippophae beating apparatus (一種沙棘果打漿裝置).	Utility model	Jiangxi Wangpin	CN201720683934.9	June 13, 2017	March 16, 2018
23.	A kind of fruit process sterilizes cleaning device with fruit (一種水果加工用水果消毒清洗裝置).	Utility model	Jiangxi Wangpin	CN201720684397.X	June 13, 2017	March 16, 2018
24.	Orchard is with liftable oscillating sprinkler (一種果園用可升降擺動式噴灑裝置)	Utility model	Jiangxi Wangpin	CN201620876864.4	August 15, 2016	January 18, 2017
25.	Cultivate quick screening installation of material (一種培養料快速篩選設備) . . .	Utility model	Jiangxi Wangpin	CN201620267561.2	April 1, 2016	October 5, 2016
26.	Fruiter irrigating system (一種果樹灌溉系統). .	Utility model	Jiangxi Wangpin	CN201620267696.9	April 1, 2016	October 5, 2016
27.	Bag is cultivated to fruit tree sapling (一種果樹樹苗培植袋).	Utility model	Jiangxi Wangpin	CN201620267700.1	April 1, 2016	October 5, 2016
28.	Liquid medicine spraying device is used to fruit tree (一種果樹用噴藥器) . . .	Utility model	Jiangxi Wangpin	CN201620267934.6	April 1, 2016	October 5, 2016
29.	Shaddock sorting device (一種柚子分揀裝置). .	Utility model	Jiangxi Wangpin	CN201620268013.1	April 1, 2016	October 5, 2016
30.	Instrument convenient to pick navel orange (一種便於採摘臍橙的工具)	Utility model	Jiangxi Wangpin	CN201620239075.X	March 28, 2016	October 5, 2016
31.	Water conservation watering device of fruit seedling (一種果苗的節水澆灌裝置) . .	Utility model	Jiangxi Wangpin	CN201620241704.2	March 28, 2016	October 5, 2016
32.	Inoculator for edible mushroom greenhouse planting (一種食用菌大棚種植用接種器) . .	Invention	Jiangxi Wangpin	CN201711442496.8	December 27, 2017	December 6, 2019

No.	Title of patent	Type	Registration owner	Patent number	Application date	Registration date
33.	Adjustable nursery stock planting support frame (一種可調式苗木種植扶持架)	Invention	Jiangxi Wangpin	CN201711442500.0	December 27, 2017	December 10, 2019
34.	A kind of repeatable combined type cultivating seedlings container utilized (一種可重複利用的組合式苗木培育容器)	Invention	Jiangxi Wangpin	CN201711443410.3	December 27, 2017	April 3, 2020
35.	Do not know the assorted mandarin orange off-season cultivation method of fire (不知火雜柑反季節栽培方法).	Invention	Jiangxi Wangpin	CN201410330685.6	July 14, 2014	May 4, 2016

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights in the PRC, which are material to our business:

No.	Copyright	Type	Copyright owner	Registration number	Registration Date
1.	Pagoda Store Signage Series (百果園門店招牌系列)	Art (美[術]作品)	Company	國作登字-2013-F-00103496	August 20, 2013
2.	Pagoda Store Shelf Decoration Series (百果園門店貨架裝飾系列)	Art (美[術]作品)	Company	國作登字-2013-F-00103498	August 20, 2013
3.	Guoduomei Store Plaque (果多美門店牌匾)	Art (美[術]作品)	Company	國作登字-2018-F-00588291	August 10, 2018
4.	Guoduomei APP LOGO (果多美APP LOGO) .	Art (美[術]作品)	Company	國作登字-2018-F-00588293	August 10, 2018
5.	Pagoda Store Pastoral 5S-2 Version Decoration Design (百果園門店田園風格5S-2版裝修設計). . . .	Art (美[術]作品)	Company	國作登字-2018-F-00663096	November 12, 2018
6.	Pagoda Customer APP (for Android) Software (百果園顧客APP (Android版)軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2016SR036589	February 24, 2016
7.	Pagoda Customer APP (for IOS) Software (百果園顧客APP (IOS版)軟件V1.0) . . .	Software Copyright (軟件著作權)	Baiguo Technology	2016SR108342	May 17, 2016
8.	Pagoda Delivery APP (for Android) Software (百果園送貨APP(Android版)軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2016SR108349	May 17, 2016

No.	Copyright	Type	Copyright owner	Registration number	Registration Date
9.	Pagoda Delivery APP (for IOS) Software (百果園送貨APP(IOS版)軟件V1.0)	Software Copyright (軟件著作權)	Baiguo Technology	2016SR110779	May 18, 2016
10.	Online Pagoda Customer Service Platform Software (線上百果園客服平台軟件V1.0)	Software Copyright (軟件著作權)	Baiguo Technology	2016SR108735	May 17, 2016
11.	Online Pagoda Operation Manager Software (線上百果園運營管理台軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2016SR110398	May 18, 2016
12.	Pagoda Store APP (for Android) Software (百果園門店APP (Android版)軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2016SR110716	May 18, 2016
13.	Pagoda Trading Platform — Purchases Management Software (百果園交易平台–採購需求管理軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2017SR096575	March 29, 2017
14.	Pagoda Trading Platform — Purchase Order Management System Software (百果園交易平台–採購訂單管理系統軟件V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2017SR096571	March 29, 2017
15.	Fruit Supply Chain Management System (水果供應鏈體系管理系統V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2018SR351405	May 17, 2018
16.	Major Customer Channel Sales System (大客戶渠道銷售系統V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2018SR351372	May 17, 2018
17.	Precision Marketing Data Mid-stage Analysis System (精準營銷數據中台分析系統V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2018SR350827	May 17, 2018
18.	Integrated Procurement and Distribution Management System (一體化採配銷管理系統V1.0)	Software Copyright (軟件著作權)	Baiguo Technology	2018SR350460	May 17, 2018
19.	Pagoda Marketing Services Platform (百果園營銷服務平台V1.1).	Software Copyright (軟件著作權)	Baiguo Technology	2018SR804951	October 9, 2018
20.	Intelligent Ordering Assistance System V1.0 (智能訂貨輔助系統 V1.0).	Software Copyright (軟件著作權)	Baiguo Technology	2019SR0092505	January 25, 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of our Company

Immediately following the completion of [**REDACTED**] and without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**], the interests or short positions of the Directors, Supervisors and chief executive of our Company 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 interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, 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 and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors and the chief executive), once the H Shares are [**REDACTED**], will be as follows:

(i) Interest in our Company

		Immediately following the completion of [REDACTED]	
Name of Director/Supervisor	**Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding interest(1)**
Mr. Yu	Beneficial owner	383,957,019	[**REDACTED**]%
	Interest of spouse and interest in controlled corporation(2)	352,293,740	[**REDACTED**]%
Ms. Xu Yanlin . .	Interest of spouse and interest in controlled corporation(3),(4)	736,250,759	[**REDACTED**]%
Mr. Jiao Yue . . .	Interest in controlled corporation(5)	89,827,264	[**REDACTED**]%
Mr. Tian Xiqiu . .	Interest in controlled corporation(6)	2,913,398	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of Shares in issue immediately following the completion of [**REDACTED**] (assuming that [**REDACTED**] is not exercised).

(2) Mr. Yu is the (executive) general partner of and has full control over Hongyuan Shanguo, Hengyili Investment and Huizhi Zhongxiang. Mr. Yu is therefore deemed under the SFO to be interested in the Shares held by Hongyuan Shanguo, Hengyili Investment and Huizhi Zhongxiang. In addition, Mr. Yu owns 51% equity interests in Shenzhen Huilin. Mr. Yu is therefore deemed under the SFO to be interested in the Shares held by Shenzhen Huilin.

(3) Ms. Xu Yanlin is the spouse of Mr. Yu. Mr. Yu is therefore deemed under the SFO to be interested in the Shares held by Ms. Xu Yanlin.

(4) Ms. Xu Yanlin owns 49% equity interests in Shenzhen Huilin. In addition, Ms. Xu Yanlin contributed more than one third of the capital to Hengyili Investment. As such, Ms. Xu Yanlin is therefore deemed under the SFO to be interested in the Shares held by Shenzhen Huilin and Hengyili Investment.

(5) Mr. Jiao Yue is the general partner of and has full control over Heshun Liru. In addition, Mr. Jiao Yue contributed more than one third of the capital to Huizhi Zhongxiang. Mr. Jiao Yue is therefore deemed under the SFO to be interested in the Shares held by Heshun Liru and Huizhi Zhongxiang.

(6) Mr. Tian Xiqiu is the limited partner of and contributed more than one third of the capital to Hengwang. Mr. Tian Xiqiu is therefore deemed under the SFO to be interested in the Shares held by Hengwang.

(7) All interests stated are long positions.

(ii) Interest in associated corporations of our Company

Immediately following the completion of [**REDACTED**] (assuming the [**REDACTED**] is not exercised), none of our Directors, Supervisors or the chief executive officer of our Company has any interests in associated corporations of our Company.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders", immediately following the completion of [**REDACTED**] and without taking into account any H Shares which may be issued pursuant to the exercise of [**REDACTED**], our Directors, Supervisors or chief executive are not aware of any other person (other than a Director, Supervisor or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which, once the H Shares are [**REDACTED**], would fall 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 are, 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 any member of the Group.

(c) Interests in other members of the Group

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us) are 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 any other member of the Group:

Member of the Group	Registered Capital	Name of shareholder	Approximate shareholding
	(RMB)		
1. Yuanmou Yuanshengyuan	30,000,000	Mr. Chen Fusheng (陳福生)	49%
2. Shenzhen Youxian . . .	10,000,000	Tanlian Information Technology (Beijing) Co., Ltd. (碳鏈信息科技(北京)有限公司)	35%
3. Pagoda Fruit Products	10,000,000	Shenzhen Huiguo Company Management Partnership* (深圳慧果企業管理合夥企業)	29%
		Dongguan Baiguo Biotechnology Company Co., Ltd.* (東莞百果生物技術有限公司)	20%
4. Pagoda Seeds.	7,000,000	Guangxi Zhencheng Agriculture Co., Ltd.* (廣西真誠農業有限公司)	14.28%
5. Younongdao	5,000,000	Mr. Koiwai Masaaki	32%
6. Jinnong Supply Chain	5,000,000	Mr. Zheng Yuanzhong (鄭元中)	25%
7. Youguolian	80,000,000	Beijing Kedao Brand Management Center Partnership (Limited Partnership)* (北京棵道品牌管理中心(有限合夥))	25%
		Beijing Shanren Brand Management Center Partnership (Limited Partnership)* (北京善仁品牌管理中心(有限合夥))	18.75%

Member of the Group	Registered Capital	Name of shareholder	Approximate shareholding
	(RMB)		
8. Yuanmou Yiguo	3,000,000	Jiangsu Lvyi Agricultural Technology Co., Ltd. * (江蘇綠浥農業科技股份有限公司)	10%

2. Directors' and Supervisors' Service Contracts and Letters of Appointment

We [have entered into] a service contract or letter of appointment with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. Except as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors and Supervisors for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB6.3 million, RMB5.6 million, RMB7.0 million and RMB3.6 million, respectively.

Save as disclosed in the section headed "Directors, Supervisors and Senior Management — Compensation of Directors, Supervisors and Senior Management" and the above, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022.

Our independent non-executive Directors have been appointed for a term of three years. The Company intends to pay a director's fee of RMB80,000 per annum to each of the independent non-executive Directors. Save for the director's fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his or her office as an independent non-executive Director.

Under the arrangements currently in force as of the date of this document, the aggregate amount of remuneration payable by our Group to our Directors and Supervisors for the year ending December 31, 2022 will be approximately RMB7.6 million. There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

4. Directors' Competing Interests

Save as disclosed in the sections headed "Relationship with Our Controlling Shareholders" and "Directors, Supervisors and Senior Management" in this document, none of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Personal guarantees

Save as disclosed in the sections headed "Relationship with Our Controlling Shareholders" and "Directors, Supervisors and Senior Management", the Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Agency fees or commissions received

Save in connection with [**REDACTED**], none of our Directors, Supervisors, Promoters nor any of the parties listed in the paragraph headed "D. Other Information — 5. Qualification of Experts" in this appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this document.

7. Related party transactions

During the two years preceding the date of this document, we have engaged in the material related party transactions as described in the Accountant's Report set out in Appendix I to this document.

8. Disclaimers

Save as disclosed in this section:

(a) none of the Directors, Supervisors or chief executive of our Company has any interests or short positions 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 interests or short positions which he is taken or deemed to have taken 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, in each case once our H Shares are [**REDACTED**] on [**REDACTED**]. For this document, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall 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 is, 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 any other member of the Group, once our H Shares are [**REDACTED**] on [**REDACTED**];

(c) none of the Directors or Supervisors nor any of the persons listed in the paragraph headed "D. Other Information — 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors nor any of the persons listed in the paragraph headed "D. Other Information — 5. Qualification of Experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with [**REDACTED**], none of our Directors or Supervisors nor any of the persons listed in the paragraph headed "D. Other Information — 5. Qualification of Experts" below (i) is interested legally or beneficially in any of our Shares or any share in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any Member of our Group; and

(f) none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. 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.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in the sub-section headed "Business — Legal Proceedings", no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the [**REDACTED**] Committee for the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares, including any [**REDACTED**] which may be issued pursuant to the exercise of [**REDACTED**]. All necessary arrangements have been made to enable the H Shares to be [**REDACTED**]. The Sole Sponsor is entitled to a total fee of USD500,000 for acting as the Sole Sponsor in connection with [**REDACTED**].

Morgan Stanley Asia Limited satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Hong Kong Listing Rules.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2022 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Tian Yuan Law Firm	Legal adviser to the Company as to PRC law
Jingtian & Gongcheng	Legal adviser to the Company as to PRC data privacy and protection matters
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Vocation (Beijing) International Assets Appraisal Co., Ltd.	Biological assets valuer

6. Consents of Experts

Each of the experts as referred to in the paragraph headed "5. Qualifications of Experts" above has given and has not withdrawn their consent to the issue of this document with the inclusion of their reports and/or letters and/or opinions (as the case may be) and references to their names included in the form and context in which they are respectively included.

Save as otherwise disclosed in this document, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoters

Our Promoters are Mr. Yu, Shenzhen Huilin, Mr. Huang Chuangru, Mr. Zheng Zhijian, Mr. Huang Weixiong, Mr. Su Meisong, Mr. Li Hongwei, Mr. Chen Dezhong, Hengwang, Hongyuan Shanguo, Hengyili Investment, Heshun Liru, Huizhi Zhongxiang and the [**REDACTED**] Investors (save for M&G Equity). Save as otherwise disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with [**REDACTED**] and the related transactions described in this document.

8. Preliminary Expenses

As of the Latest Practicable Date, we incurred approximately RMB44.1 million and were paid by our Company.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document 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).

11. Miscellaneous

(a) Save as otherwise disclosed in this document, within the two years immediately preceding the date of this document:

(i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash, no any discounts or other special terms were granted, and all relevant considerations were fully paid up;

(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, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;

(iv) no commission has been paid or payable (except commission to [**REDACTED**]) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Save as otherwise disclosed in this document, none of the persons named in the paragraph headed "D. Other Information — 6. Consent of Experts" above is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

(c) Our Directors confirm that:

(i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(ii) our Company has no outstanding convertible debt securities or debentures.

(d) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(e) All necessary arrangements have been made to enable the H Shares to be [**REDACTED**].

(f) We currently do not intend to apply for the status of a foreign invested joint stock limited company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law.

(g) The English version of this document shall prevail over the Chinese version.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) a copy of each of [**REDACTED**];

(b) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VI to this document; and

(c) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix VI to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.pagoda.com.cn**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association of our Company;

(b) the audited consolidated financial statements of our Group for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;

(c) the Accountant's Report for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the text of which is set out in Appendix I to this document;

(d) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;

(e) the legal opinions issued by Tian Yuan Law Firm, our PRC Legal Adviser, in respect of certain aspects of the Group and the property interests of the Group;

(f) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Adviser, in respect of data privacy and protection matters of the Group;

(g) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VI to this document;

(h) the written consents referred to in the section headed "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix VI to this document;

(i) service contracts referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders — 2. Directors' and Supervisors' Service Contracts and Letters of Appointment" in Appendix VI to this document;

(j) the valuation report prepared by Vocation (Beijing) International Assets Appraisal Co., Ltd., our biological assets valuer, in respect of certain biological assets of the Group;

(k) the Industry Report; and

(l) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and Special Regulations together their unofficial English translation.