
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in **Chongqing Hongjiu Fruit Co., Limited**, you should at once pass this circular, together with the enclosed proxy forms, to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6689)

**ISSUANCE OF SHARES
CONNECTED TRANSACTION IN RESPECT OF
SHARE SUBSCRIPTION AGREEMENT
AUTHORIZATION TO THE BOARD AND ITS AUTHORIZED
PERSONS TO PROCEED WITH MATTERS IN CONNECTION WITH
ISSUANCE OF SHARES
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF 2023 FIRST H SHARE CLASS MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



The EGM will be held at 10:00 a.m. on Wednesday, May 31, 2023 at the Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC. The Domestic Share Class Meeting will be held immediately upon the conclusion of the EGM. The H Share Class Meeting will be held immediately upon the conclusion of the Domestic Share Class Meeting. A notice of the EGM and a notice of H Share Class Meeting are set out on pages 27 to 28 and pages 29 to 30 of this circular, respectively. A notice of the Domestic Share Class Meeting will be issued separately.

Whether or not you are able to attend the EGM and/or H Share Class Meeting, you are advised to read the notice of the EGM and the notice of H Share Class Meeting carefully and to complete the enclosed proxy form(s) in accordance with the instructions printed thereon and return to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post no later than 24 hours before the time appointed for convening the EGM and/or H Share Class Meeting or any adjourned meeting(s) thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting at the EGM and/or H Share Class Meeting or any adjourned meeting(s) thereof in person if you so wish.

May 16, 2023

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Shares”	ordinary shares to be issued by the Company in the initial public offering on the main board of the Shanghai Stock Exchange or the Shenzhen Stock Exchange, which are subscribed for in Renminbi
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“Beijing Kentuo”	Beijing Kentuo Equity Investment Fund Partnership (Limited Partnership) (北京壘拓股權投資基金合夥企業(有限合夥))
“Board”	the board of directors of the Company
“Chongqing Zhongken”	Chongqing Zhongken Private Equity Investment Fund Partnership (Limited Partnership) (重慶中壘私募股權投資基金合夥企業(有限合夥))
“Company”	Chongqing Hongjiu Fruit Co., Limited (重慶洪九果品股份有限公司), a limited liability company incorporated in the PRC on October 12, 2002 and converted into a joint stock limited company incorporated in the PRC on April 26, 2013, whose predecessor was Chongqing Hongjiu Fruit Company Limited (重慶洪九果品有限公司) and whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Company Law”	the Company Law of the PRC
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to, Mr. Deng, Ms. Jiang Zongying, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)) and Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥))
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Domestic Share(s)”	domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is (are) subscribed for or credited as fully paid in Renminbi
“Domestic Share Class Meeting”	the 2023 first Domestic Share class meeting of the Company to be held immediately upon the conclusion of the EGM at the Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“EGM”	the 2023 third extraordinary general meeting of the Company to be held at 10:00 a.m. on Wednesday, May 31, 2023 at the Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC
“Group”	the Company and its consolidated subsidiaries
“Guizhou Zhongken”	Guizhou Zhongken Equity Investment Fund Partnership (Limited Partnership) (貴州中壘股權投資基金合夥企業 (有限合夥))
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each which is (are) listed on the Stock Exchange and traded in Hong Kong dollars (stock code: 6689)
“H Share Class Meeting”	the 2023 first H Share class meeting of the Company to be held immediately upon the conclusion of the Domestic Share Class Meeting at the Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC
“H Shareholder(s)”	holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hunan Zhongken”	Hunan Xiangxin Zhongken Equity Investment Partnership (Limited Partnership) (湖南湘鑫中墾股權投資合夥企業(有限合夥))
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among other things, the Share Subscription Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Subscription Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders of the Company other than the Controlling Shareholders and China Agricultural Reclamation Industry Development Fund (L.P.) (中國農墾產業發展基金(有限合夥))
“Issuance”	the proposed issuance of not more than 30,487,802 domestic unlisted ordinary shares to the Subscribers
“Latest Practicable Date”	May 10, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Deng”	Mr. Deng Hongjiu (鄧洪九), the chairman of the Board, the executive Director, spouse of Ms. Jiang Zongying and one of the Controlling Shareholders
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region

DEFINITIONS

“Prospectus”	the prospectus issued by the Company on August 24, 2022
“Qualified Listing”	the initial public offering, listing and trading of A Shares on the main board of the Shanghai Stock Exchange or the Shenzhen Stock Exchange made by the Company
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)
“Share Subscription Agreement”	the share subscription agreement entered into between the Company and Subscribers on April 4, 2023 in respect of the Company’s proposed issuance of not more than (including) 30,487,802 Target Shares to the investors
“Shareholder(s)”	shareholder(s) of the Company, including Domestic Shareholder(s) and H Shareholder(s)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Guizhou Zhongken, Hunan Zhongken, Chongqing Zhongken and Beijing Kentuo, each a Subscriber
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Target Shares”	not more than 30,487,802 domestic unlisted ordinary shares issued by the Company to the Subscribers pursuant to the Share Subscription Agreement
“Working Day(s)”	a day other than Saturday, Sunday and statutory holiday in the PRC
“%”	per cent

LETTER FROM THE BOARD



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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6689)

Executive Directors:

Mr. Deng Hongjiu (*Chairman*)
Ms. Jiang Zongying
Mr. Peng He
Mr. Yang Junwen
Ms. Tan Bo

Non-executive Directors:

Mr. Xia Bei
Mr. Dong Jiaxun
Mr. Chen Tongtong

Independent Non-executive Directors:

Ms. Xu Kemei
Ms. Liu Xiuqin
Mr. An Rui
Mr. Liu Anzhou

Registered office:

509-36 Industry Incubator Building
Baiyan Group of Chengnan Residential Committee
Nanbin Town
Shizhu Tujia Autonomous County
Chongqing
PRC

Principal place of business in the PRC:

22/F, Block B
CREG Fenghui International, Donghu South Road
Yubei District
Chongqing
PRC

Place of business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

May 16, 2023

To the H Shareholders

Dear Sir or Madam,

**ISSUANCE OF SHARES
CONNECTED TRANSACTION IN RESPECT OF
SHARE SUBSCRIPTION AGREEMENT
AUTHORIZATION TO THE BOARD AND ITS AUTHORIZED
PERSONS TO PROCEED WITH MATTERS IN CONNECTION WITH
ISSUANCE OF SHARES
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING
AND
NOTICE OF 2023 FIRST H SHARE CLASS MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with the notice of the EGM and the notice of the H Share Class Meeting, and to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM and/or H Share Class Meeting.

LETTER FROM THE BOARD

2. PROPOSALS TO BE CONSIDERED AT THE EGM AND/OR H SHARE CLASS MEETING

The proposals to be presented for consideration and approval at the EGM include the following special resolutions: (1) resolution on the plan for issuance of Shares of the Company; (2) resolution on entering into the conditional Share Subscription Agreement between the Company and the Subscribers; (3) resolution on authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares; and (4) resolution on amendments to the Articles of Association and application for change of industrial and commercial registration.

Among them, (1) resolution on the plan for issuance of Shares of the Company; (2) resolution on entering into the conditional Share Subscription Agreement between the Company and the Subscribers; and (3) resolution on authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares are also subject to the approval by the Shareholders at the Domestic Share Class Meeting and H Share Class Meeting by way of special resolutions.

In order to enable you to have a better understanding of the above resolutions and to make an informed decision thereon, we have provided detailed information to the Shareholders in Appendix I to this circular, which includes the information and explanation on the resolutions proposed to be passed at the EGM and/or H Share Class Meeting.

3. THE EGM AND THE H SHARE CLASS MEETING

The proxy forms for the EGM and the H Share Class Meeting are enclosed in this circular.

Whether or not you are able to attend the EGM and/or H Share Class Meeting, you are advised to read the notice of the EGM and the notice of H Share Class Meeting carefully and to complete the enclosed proxy form(s) in accordance with the instructions printed thereon and return to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by hand or by post no later than 24 hours before the time appointed for convening the EGM and/or H Share Class Meeting or any adjourned meeting(s) thereof. Completion and return of the proxy form(s) will not preclude you from attending and voting at the EGM and/or H Share Class Meeting or any adjourned meeting(s) thereof in person if you so wish.

4. CLOSURE OF H SHARE REGISTER OF MEMBERS

For the purpose of determining the H Shareholders' entitlement to attend the EGM and H Share Class Meeting, the H Share register of members of the Company will be closed from Thursday, May 25, 2023 to Wednesday, May 31, 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM and/or H Share Class Meeting, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, May 24, 2023.

LETTER FROM THE BOARD

5. VOTING BY POLL

Mr. Deng, being an executive Director and one of the Controlling Shareholders, is one of the contractual parties of the Share Subscription Agreement. China Agricultural Reclamation Industry Development Fund (L.P.) (中國農墾產業發展基金(有限合夥)) (“**China Agricultural**”), an existing Shareholder, is the limited partner of Chongqing Zhongken, one of the Subscribers. In addition, the general partner and fund manager of China Agricultural is Zhaoken Capital Management (Beijing) Co., Ltd. (招墾資本管理(北京)有限公司), which is also the general partner and fund manager of Guizhou Zhongken and Hunan Zhongken, both the Subscribers. As such, China Agricultural is an associate of certain of the Subscribers. Therefore, the Controlling Shareholders (including Mr. Deng) and China Agricultural will abstain from voting on the resolutions to be proposed for approving (i) the plan for issuance of Shares of the Company; (ii) entering into conditional Share Subscription Agreement between the Company and the Subscribers; and (iii) authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares at the EGM and the H Shares Class Meeting.

As at the Latest Practicable Date, to the extent that the Directors are aware having made all reasonable enquiries, (i) the Controlling Shareholders hold 626,026,050 Shares in total, representing approximately 44.18% of the total issued share capital of the Company, and (ii) China Agricultural holds 89,518,095 Shares, representing approximately 6.32% of the total issued share capital of the Company. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable inquiries, no other Shareholder will be required to abstain from voting at the EGM and the H Shares Class Meeting.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll. Therefore, all resolutions set out in the notice of the EGM and the notice of the H Share Class Meeting will be voted by poll. The poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at <https://www.hjfruit.com> upon the conclusions of the EGM and H Share Class Meeting.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Listing Rules, the Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise the Independent Shareholders on the Share Subscription Agreement and the transactions contemplated thereunder, taking into account the advice of the Independent Financial Adviser. The members of the Independent Board Committee are Ms. Xu Kemei, Ms. Liu Xiuqin, Mr. An Rui and Mr. Liu Anzhou.

In this connection, Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Share Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on whether to vote in favour of the resolutions to be proposed for approving the Share Subscription Agreement at the EGM and the H Shares Class Meeting.

LETTER FROM THE BOARD

7. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 9 of this circular and the letter from Gram Capital set out on pages 10 to 26 of this circular, which contains, among other matters, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Share Subscription Agreement and the transactions contemplated thereunder, and the principal factors considered by it in arriving at its advice and recommendation.

Having considered the information set out herein, the Board (including the independent non-executive Directors) considers that the resolutions set out in the notice of the EGM and the notice of the H Share Class Meeting are in the interests of the Company and its Shareholders as a whole. Therefore, the Board recommends you to vote in favor of the proposed resolutions mentioned above.

Yours faithfully,

By order of the Board

Chongqing Hongjiu Fruit Co., Limited

Deng Hongjiu

Chairman of the Board and Executive Director



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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6689)

May 16, 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RESPECT OF SHARE SUBSCRIPTION
AGREEMENT**

We refer to the circular issued by the Company to the Shareholders dated May 16, 2023 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to consider the Share Subscription Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders in respect of the Share Subscription Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from Gram Capital” as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of Gram Capital as set out in their letter of advice, we are of the opinion that (i) the Share Subscription Agreement, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (ii) the terms of the Share Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Share Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the special resolutions approving the Share Subscription Agreement and the transactions contemplated thereunder at the EGM and the H Shares Class Meeting.

Yours faithfully,

Independent Board Committee

Xu Kemei, Liu Xiuqin, An Rui, Liu Anzhou

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription Agreement for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

16 May 2023

*To: The independent board committee and the independent shareholders
of Chongqing Hongjiu Fruit Co., Limited*

Dear Sir/Madam,

CONNECTED TRANSACTION IN RESPECT OF SHARE SUBSCRIPTION AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Share Subscription Agreement, details of which are set out in the letter from the Board contained in the circular dated 16 May 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 April 2023, the Company entered into the Share Subscription Agreement with the Subscribers and Mr. Deng, pursuant to which, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue a total of 30,487,802 Target Shares of the Company at the subscription price of RMB16.40 per Target Share (the “**Subscription Price**”) at an aggregate cash consideration of RMB499,999,952.80. Under the Share Subscription Agreement, the Subscribers shall have the right to require Mr. Deng to acquire the Target Shares held by them under the circumstances set out under the section headed “Investment Exit Arrangements” of Appendix I to the Circular (“**Appendix I**”) (the “**Investment Exit Arrangements**”).

LETTER FROM GRAM CAPITAL

With reference to Appendix I, Mr. Deng, being an executive Director and one of the Controlling Shareholders, is a connected person of the Company. Therefore, the Share Subscription Agreement entered into among the Subscribers, the Company and Mr. Deng is deemed as a connected transaction of the Company which is subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Ms. Xu Kemei, Ms. Liu Xiuqin, Mr. An Rui and Mr. Liu Anzhou (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Share Subscription Agreement are on normal commercial terms and are fair and reasonable; (ii) whether the entering into of the Share Subscription Agreement is conducted in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Share Subscription Agreement and transactions contemplated thereunder at the EGM and the H Share Class Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationship or interest between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. In addition, we did not act as independent financial adviser in respect of the Company's transactions during the past two years immediately preceding the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Share Subscription Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscribers, Mr. Deng or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Share Subscription Agreement and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Subscription Agreement, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"), the Group's principal activities are purchasing, sorting, packaging and wholesale of fruits in the PRC. The Group's core fruit products include durian, dragon fruit, longan, grapes, cherry and mangosteen and the Group's other fruit products include tangerine, apple, kiwi, mango and others.

LETTER FROM GRAM CAPITAL

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2022 as extracted from the 2022 Annual Report:

	For the year ended 31 December 2022 ("FY2022") RMB'000	For the year ended 31 December 2021 ("FY2021") RMB'000	Year-on-year change %
Revenue	15,080,546	10,280,074	46.70
– Core fruit products	6,761,648	5,910,490	14.40
– Other fruit products	8,318,898	4,369,584	90.38
Gross Profit	2,575,882	1,613,101	59.69
Profit for the year	1,454,546	292,442	397.38

As shown in the above table, the Group's revenue increased from approximately RMB10,280 million for FY2021 to approximately RMB15,080 million for FY2022, representing an increase of approximately 46.70%. With reference to the 2022 Annual Report, such increase was primarily due to that (i) the Group further expanded its sales network into Harbin, Nanjing, Zhengzhou and Baoding; (ii) the Group's end-to-end supply chain ensured continuous and stable supply of fruits during the COVID-19 pandemic, which was recognized by more customers; (iii) the Group's strategically selected fruit categories, especially the Group's core fruit products which still have strong demand from customers; and (iv) the Group's other fruit products experienced rapid growth, benefited from its brand reputation and supply chain capabilities.

Along with the increase in the Group's revenue, the Group's gross profit for FY2022 increased by approximately 59.69% as compared that for FY2021, while the Group's gross profit margin increased from approximately 15.69% for FY2021 to approximately 17.08% for FY2022. With reference to the 2022 Annual Report, such increase in gross profit margin was primarily due to that (i) the Group gradually phased out marketing events launched from September 2020 to September 2021, in which events the Group adopted promotional pricing policy for certain customers and such marketing strategy enabled it to win extensive market recognition; (ii) the Group took advantage of its end-to-end supply chain to ensure the stable supply of fruit products during the COVID-19 pandemic to obtain customers' recognition and higher premium; and (iii) the gross profit margin of certain core fruit products such as durian, increased at a relatively fast pace in FY2022 due to the changes in supply and demand.

The Group's profit for FY2022 increased by approximately 397.38% as compared to that for FY2021. With reference to the 2022 Annual Report, such increase was primarily due to (i) increase in revenue and gross profit as aforementioned; and (ii) the absence of changes in the carrying amount of liabilities recognized for preferential rights issued to pre-IPO investors, as partially offset by increase in impairment loss on trade receivables.

LETTER FROM GRAM CAPITAL

With reference to the 2022 Annual Report, the Group's cash and cash equivalents and net assets amounted to approximately RMB149 million and RMB6,378 million respectively as at 31 December 2022.

Information on the Subscribers

With reference to Appendix I, the Subscribers are Guizhou Zhongken, Hunan Zhongken, Chongqing Zhongken and Beijing Kentuo. Details of each of the Subscribers are set out in the section headed "General Information about the Subscribers" of Appendix I.

With reference to Appendix I, each of the Subscribers is not a connected person of the Company and it is expected that no Subscriber will become a substantial shareholder of the Company immediately following the Issuance.

With reference to Appendix I, the limited partners of the Subscribers include agricultural funds established by local governments such as the China Agricultural (a state-owned industrial fund) and local state-owned enterprises such as Guizhou Agricultural Fund, Hunan Government Investment Fund Management Center, Chongqing Tongnan District Finance Bureau and Beidahuang Investment Holding Co., Ltd., who possess abundant resources in terms of place of origin of distinguished fruit products which could enable the Company to procure high-quality local fruits from the places of origin at relatively low prices. Furthermore, the Company achieved intention of business cooperation with each of Guizhou Zhongken, Hunan Zhongken and Chongqing Zhongken, which the Company plans to cooperate actively with the local governments and agrarian cooperatives of the places where such Subscribers locate (including Guizhou Province, Hunan Province and Chongqing). The Company can procure fruit categories with local speciality thereat and distribute nationwide, thereby expanding the fruit places of origin network and would create synergies with the Company's long-term business development by replicating the "end-to-end" model to domestic fruits, strengthening advantages of the Group's "end-to-end" industrial chain and further forming new driver for revenue growth of the Group.

Information on Mr. Deng

With reference to Appendix I, Mr. Deng, being an executive Director and one of the Controlling Shareholders, is a connected person of the Company.

Reasons for and benefits of the Issuance

With reference to Appendix I, based on the Company's past development history and actual business needs, sufficient capital support will enable the Company to expand its customers and network at the downstream sales and to deepen its layout and target quality fruits at the upstream procurement, thereby continuously strengthening the Company's end-to-end fruit supply chain and continuously increasing its market share. Specifically, the reasons and purposes of the Issuance are:

- (i) it is necessary for the Company to seize the industry development opportunities and achieve leapfrog development;
- (ii) it is necessary for the Company to further strengthen the supply chain and drive the common development of the upstream and downstream industry chains;

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- (iii) it is the Company's response to the need of "rural revitalization", "One Belt, One Road" and other strategies of the PRC; and
- (iv) it is necessary for the Company to further strengthen its capital base, enhance the Company's ability to withstand risks, and seize the huge market opportunities brought by the macroeconomic rebound.

Detailed reasons and purposes of the Issuance are set out under the section headed "Reasons and Purposes of the Issuance" of Appendix I.

Industry overview

Set out below are the revenue of the fresh fruit segment in the PRC and the sales volume of fresh fruit in the PRC during the five years ended 31 December 2022, being the latest five full-year statistics published by Statista (According to the website of Statista, Statista is a leading provider of market and consumer data and its platform has over 1 million statistics covering 80,000 topics over 170 industries):

	2018	2019	2020	2021	2022
Revenue of the fresh fruit segment in the PRC (US\$ billion)	56.66	60.75	69.26	77.18	83.97
Sales volume of fresh fruit in the PRC (billion kilograms)	26.35	27.60	29.65	31.74	33.94

As shown in the table above, there was year-on-year increase in revenue of fresh fruit segment in the PRC and sales volume of fresh fruit in the PRC for each of year 2019, 2020, 2021 and 2022. The revenue of fresh fruit segment in the PRC increased from approximately US\$56.66 billion in 2018 to approximately US\$83.97 billion in 2022, representing a compound annual growth rate of approximately 10.33%; while the sales volume of fresh fruit in the PRC increased from approximately 26.35 billion kilograms in 2018 to approximately 33.94 billion kilograms in 2022, representing a compound annual growth rate of 6.53%.

Set out below are the import value of fresh and dry fruits and nuts in the PRC during the five years ended 31 December 2022, being the latest five full-year statistic as extracted from Wind Financial Terminal:

	2018	2019	2020	2021	2022
Import value of fresh and dry fruits and nuts in the PRC (US\$ billion)	8.41	11.28	11.56	15.12	15.61

As shown in the table above, there was year-on-year increase in import value of fresh and dry fruits and nuts in the PRC for each of year 2019, 2020, 2021 and 2022. The import value of fresh and dry fruits and nuts in the PRC increased from approximately US\$8.41 billion in 2018 to approximately US\$15.61 billion in 2022, representing a compound annual growth rate of approximately 16.71%.

The above statistics demonstrate the continuous growth in the PRC fresh fruit market.

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Use of proceeds

With reference to Appendix I, the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Issuance will be approximately RMB500 million and approximately RMB497.22 million respectively, which are intended to be used for (i) approximately 70% for enhancement of fruit supply chain; and (ii) approximately 30% for replenishment of working capital. The specific use of the proceeds is subject to the adjustments by the Board or its authorized persons according to the operating conditions and actual needs of the Company, and the relevant opinions of the regulatory authorities received in the process of application for issuance.

For our due diligence purpose, we enquired into the Company regarding the details of the above intended use of proceeds.

In respect of the enhancement of the Group's fruit supply chain, the Company advised us that it plans to expand the Group's upstream procurement network, involving (a) increase in number of high-quality partnered orchards (deposit is required to be placed with such orchards); and (b) recruitment for expansion of operation teams in Thailand and Vietnam which will be responsible for local procurement and logistics co-ordination.

In respect of the replenishment of working capital, the Company demonstrated its estimation on working capital requirements.

In light of the above, we consider that the aforesaid intended use of proceeds from the Issuance can facilitate the Group's business development and operation.

With reference to the 2022 Annual Report, the Group's net cash used in operating activities was approximately RMB1,823 million for FY2022 and approximately RMB982 million for FY2021. The Group's cash and cash equivalents was approximately RMB149 million as at 31 December 2022. We also noted from the Company's announcement dated 1 May 2023 that, in the first quarter of 2023, the Group's operating activities recorded net cash outflows of approximately RMB82 million.

With reference to the 2022 Annual Report, the Group plans to further improve its supply chain, including:

- (i) further expansion of its upstream procurement network and increase penetration;
- (ii) expansion of its sales and distribution network and establish new sales branches across the PRC to enhance its service capability;
- (iii) continue to further develop its existing advantageous categories, increase the revenue and proportion of the core fruit products, and continue to develop new categories based on the existing core fruit products;

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- (iv) strengthen its management capacity on logistics and warehousing;
- (v) further develop and upgrade its digital system and conduct more refined management on goods at the shipping port and the destination port in international logistics; and
- (vi) create an internet platform for the fruit industry to track and trace orchards before, during and after cultivation, interconnect digital interfaces of companies in the distribution link, improve the efficiency of information transfer among enterprises and generate more diversified data analysis solution based on the big data on the industry accumulated by the platform.

Having considered the Group's cash position as at 31 December 2022 and the net cash used in operating activities for FY2021, FY2022 and first quarter in 2023, we consider that it is necessary for the Group to raise additional fund to support its business operation and development and to seize possible market development opportunities arising from the growing PRC fresh fruit market as illustrated above.

We consider the proposed use of proceeds from the Issuance are in line with the Group's future development plans as set out above.

Financing alternatives

Upon our enquiry, the Directors advised us that they also considered other forms of fundraising means for the Group, such as debt financing and other equity financing.

The Directors advised us that the Group has been utilising bank loans to fund its business operation and expansion. With reference to the 2022 Annual Report, the Group's bank loans increased from approximately RMB875 million as at 31 December 2021 to approximately RMB2,283 million as at 31 December 2022; and correspondingly, the Group's finance costs increased from approximately RMB29 million for FY2021 to approximately RMB77 million for FY2022. The increase in the Group's bank loans was primarily to fund the Group's fruit product procurement and to expand the Group's logistics and supply chain facilities. The Group's gearing ratio also increased from 14.4% as at 31 December 2021 to 33.5% as at 31 December 2022. Raising additional fund from debt financing will further increase the Group's finance costs and gearing ratio.

In respect of the equity financing such as rights issue or open offer, the Directors considered that they may (i) incur additional costs, including underwriting commission (i.e. usually a percentage to the aggregated subscription price of underwritten shares) and other professional fees (such as professional fees for the preparation of listing documents, unaudited pro forma financial information on net tangible assets, indebtedness statements and comfort letter on working capital sufficiency) as compared to the Issuance (if there is no underwriter, the results of such fund raising activities will be uncertain); and (ii) take a relatively longer timeframe when compared to subscription or placing of new Shares as (a) if a general meeting

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is required, it would take time for shareholders to consider and vote the rights issue or the open offer and at least 25 business days between the date of general meeting to approve the relevant rights issue or open offer and the despatch date of the share certificates for the fully-paid rights shares or the offer shares according to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Stock Exchange on 28 November 2008 (updated on 1 October 2020) (the “**Guide**”); or (b) if a general meeting is not required, at least 27 business days for rights issue or at least 31 business days for open offer between the date of publication of the relevant proposal for the rights issue or open offer and the despatch date of the share certificates for the fully-paid rights shares or the offer shares according to the Guide.

In respect of placing of H Shares, we noted from the Company’s announcements dated 12 April 2023 and 19 April 2023 that the Company completed placing of H Shares (the “**Placing of H Shares**”) to independent placees on 19 April 2023 (at the placing price of HK\$23.61, represented a discount of approximately 19.97% (the “**Placing Discount**”) to the closing price of HK\$29.50 per H Share as quoted on the Stock Exchange on 11 April 2023 (being the last trading day of the H Shares immediately prior to the date of placing agreement)) with net proceeds of approximately HK\$344.86 million to be used for the following purposes of the Company: (1) approximately 70% for enhancement of fruits supply chain; and (2) approximately 30% for replenishment of working capital.

The Directors also advised us that the Company opted for the Issuance (i.e. issuance of domestic unlisted shares of the Company) as the Subscribers are private equity investment fund established in the PRC and intend to realize investment exit by reducing their shareholdings in Target Shares on A share markets upon the consummation of A Shares listing by the Company. The Issuance (i.e. issuance of domestic unlisted shares of the Company) is a commercial decision among the Company and the Subscribers.

Having considered the above, in particular:

- (i) in light of the Group’s cash position as at 31 December 2022 and the net cash used in operating activities for FY2021, FY2022 and first quarter in 2023, it is necessary for the Group to raise additional fund to support its business operation and development and to seize possible market development opportunities arising from the growing PRC fresh fruit market as illustrated above;
- (ii) the proposed use of proceeds from the Issuance can facilitate the Group’s business development and operation, and in line with the Group’s future development plans; and
- (iii) the Issuance is an appropriate mean for the Company to raise additional capital,

we are of the view that although the entering into of the Share Subscription Agreement is not conducted in the ordinary and usual course of business of the Group, it is in the interest of the Company and the Shareholders as a whole.

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Principal terms of the Share Subscription Agreement

Set out below are the summarised terms of the Share Subscription Agreement, details of which are set out in Appendix I to the Circular:

Date

4 April 2023

Contractual parties

The Subscribers, the Company and Mr. Deng

Subscription Price

The Subscription Price is RMB16.40 per Share (based on the middle exchange rates for HK\$ to RMB as announced by the People's Bank of China on 4 April 2023 (the "**Last Trading Day**"), equivalent to approximately HK\$18.74 per Share).

The Subscription Price represents:

- (i) a premium of approximately 5.28% over the closing price of HK\$17.80 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.28% to the closing price of HK\$26.50 per share as quoted on the Stock Exchange on the Last Trading Day (the "**LTD Discount**");
- (iii) a discount of approximately 32.03% to the average closing price of approximately HK\$27.57 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (the "**5 Days Discount**"); and
- (iv) a discount of approximately 24.65% to the average closing price of approximately HK\$24.87 per share as quoted on the Stock Exchange for the last 120 consecutive trading days up to and including the Last Trading Date; and
- (v) a premium of approximately 260.44% over the Company's audited consolidated net asset value per Share of approximately RMB4.55 as at 31 December 2022 (calculated based on the Company's total equity attributable to equity shareholders of the Company of approximately RMB6,373 million as at 31 December 2022 and 1,402,106,406 Shares in issue as at the Last Trading Day) (the "**NAV Premium**").

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With reference to Appendix I, the Subscription Price was determined after arm's length negotiations between the Company and the Subscribers after fully taking into account the interests of the Shareholders, the acceptance level of investors, the risks relating to the issuance, potential benefits arising from business synergies between the Subscribers and the Company, financial conditions of the Company in recent years, the dilutive effect of the Issuance, etc. The Subscription Price represents a discount to trading prices of the H Shares mainly due to the factors as set out under the sub-section headed "II. CONSIDERING AND APPROVING ENTERING INTO THE CONDITIONAL SHARE SUBSCRIPTION AGREEMENT – Subscription Price" of Appendix I to the Circular, including that the shares to be issued under the Issuance are domestic unlisted shares which, due to unlisted nature and non-public trading status, have lower liquidity than the H Shares.

As aforementioned, the Company completed the Placing of H Shares to independent places on 19 April 2023. The LTD Discount is approximately 29.28% as compared to the Placing Discount of approximately 19.97%.

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analyses:

H Share price performance

Set out below is a chart showing the movement of the closing prices of the H Shares during the period from 5 September 2022 to 4 April 2023, being the period from the date of H Shares listing up to and including the Last Trading Day (the "**H Shares Review Period**"), to illustrate the general trend and level of movement of the closing prices of the H Shares:

Historical daily closing price per H Share



Source: the Stock Exchange's website

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During the H Shares Review Period, the highest and lowest closing prices of H Shares as quoted on the Stock Exchange were HK\$41.00 and HK\$11.00 recorded on 26 January 2023 and 27 October 2022 respectively. The Subscription Price of RMB16.40 (equivalent to approximately HK\$18.74) falls within the closing price range of H Shares during the H Shares Review Period.

From the start of the H Shares Review Period, the closing price of H Shares were on an upward trend until it reached its peak of HK\$41.00 on 26 January 2023. After the closing price of H Shares reaching its peak on 26 January 2023, it dropped significantly to HK\$23.10 on 31 January 2023. Thereafter, the closing prices of H Shares fluctuated between HK\$25.00 and HK\$33.25 up to the Last Trading Day.

Comparable transactions

As part of our analysis, we searched for transactions in relation to issuance/subsorption of domestic shares with indicated issue/subsorption price which were not lapsed or terminated up to the Last Trading Day (“**Comparable Transactions**”) as announced by companies listed on the Stock Exchange (excluding PRC incorporated banking corporations and non-bank financial institutions which were subject to the then prevailing specific rules and regulations in determining the issue/subsorption price) during one year from 5 April 2022 up to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we only found 2 transactions which met the said criteria. We consider the number of Comparable Transactions were not sufficient for us to perform a meaningful analysis on the Subscription Price. Accordingly, we extended our review period to five years from 5 April 2018 up to and including the Last Trading Day. To the best of our knowledge and as far as we are aware of, we found 8 transactions which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the subject companies of the Comparable Transactions.

Company name (Stock code)	Date of announcement	Premium/(discount) of the issue/subsorption price to the closing price per H share on the date of the agreement in relation to the respective issuance/subsorption of domestic shares (%)	Premium/(discount) of the issue/subsorption price to the average closing price per H share for the five consecutive trading days prior to and including the date of the agreement in relation to the respective issuance/subsorption of domestic shares (%)
Xinte Energy Co., Ltd. (1799)	13 November 2018	16.71	20.55
Shanghai Fudan Microelectronics Group Company Limited (1385 & SH688385)	12 December 2018	(19.68)	(19.06)

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Company name (Stock code)	Date of announcement	Premium/(discount) of the issue/subscription price to the closing price per H share on the date of the agreement in relation to the respective issuance/subscription of domestic shares (%)	Premium/(discount) of the issue/subscription price to the average closing price per H share for the five consecutive trading days prior to and including the date of the agreement in relation to the respective issuance/subscription of domestic shares (%)
Beijing Capital International Airport Company Limited (694)	30 April 2019	3.15	3.36
Guangdong Adway Construction (Group) Holdings Company Limited (6189)	9 May 2019	(2.18)	(2.86)
Hainan Meilan International Airport Company Limited (357)	24 July 2020	(73.23) <i>(Note)</i>	(69.67) <i>(Note)</i>
Xinte Energy Co., Ltd. (1799)	5 August 2021	(13.79)	(11.78)
Tianjin TEDA Biomedical Engineering Company Limited (8189)	21 June 2022	(16.67)	(5.54)
Harbin Electric Company Limited (1133)	28 December 2022	11.00	14.49
Maximum (excluding outlier):		16.71	20.55
Minimum (excluding outlier):		(19.68)	(19.06)
Median (excluding outlier):		(2.18)	(2.86)
The Issuance		(29.28)	(32.03)

Source: the Stock Exchange's website

Note: The discount of such transaction was exceptionally high and was considered to be an outlier.

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According to the above table:

- The issue/subscription prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 19.68% to a premium of approximately 16.71% to the respective closing prices of the H shares on the date of agreement in relation to the respective issuance/subscription of domestic shares (the “**LTD Discount/Premium Market Range**”). The LTD Discount is out of the LTD Discount/Premium Market Range.
- The issue/subscription prices of the Comparable Transactions (excluding outlier) ranged from a discount of approximately 19.06% to a premium of approximately 20.55% to the respective average closing prices of the shares for the five consecutive trading days prior to and including the date of agreement in relation to the respective issuance/subscription of domestic shares (the “**5 Days Discount/Premium Market Range**”). The 5 Days Discount is also out of the 5 Days Discount/Premium Market Range.

Despite that the LTD Discount and the 5 Days Discount are out of the LTD Discount/Premium Market Range and the 5 Days Discount/Premium Market Range, having considered the followings:

- (i) although the shares to be issued under the Issuance are domestic unlisted shares which, due to unlisted nature and non-public trading status, have lower liquidity than the H Shares, the Subscription Price is within the closing price range of H Shares during the H Shares Review Period;
- (ii) the NAV Premium of 260.44%;
- (iii) we noted from the 2022 Annual Report that the Group planned to further improve its fruit supply chain, including, to further expand the Group’s upstream procurement network and increase penetration. The synergies that could be created to further strengthen the Group’s “end-to-end” industrial chain as a result of the business cooperation between the Group and each of Guizhou Zhongken, Hunan Zhongken and Chongqing Zhongken (such as procuring high-quality local fruits from places of origin at relatively low prices and expanding market share and purchases of fruits in Guizhou Province, Hunan Province and Chongqing), is one of the factors leading to the discounts to trading prices of the H Shares represented by the Subscription Price as set out under the sub-section headed “II. CONSIDERING AND APPROVING ENTERING INTO THE CONDITIONAL SHARE SUBSCRIPTION AGREEMENT – Subscription Price” of Appendix I to the Circular; and
- (iv) the Company completed the Placing of H Shares to independent places on 19 April 2023. While the shares to be issued under the Issuance are domestic unlisted shares which, due to unlisted nature and non-public trading status, have lower liquidity than the H Shares, the difference between the LTD Discount of approximately 29.28% and the Placing Discount of approximately 19.97% is less than 10 percentage points,

we consider that the Subscription Price is fair and reasonable.

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Investment Exit Arrangement

With reference to Appendix I, the Subscribers intend to realize investment exit by reducing their shareholdings in Target Shares upon consummation of the Qualified Listing by the Company. Nonetheless, shareholding reduction in the Target Shares by Subscribers shall comply with the provisions of the then effective laws and administration regulations of the PRC and other regulatory documents promulgated by the relevant regulatory authorities such as the CSRC and stock exchanges.

If the Company fails to complete the Qualified Listing before 31 December 2025 (i.e. the Qualified Listing Expiry Date), each Subscriber has the right to require the Company to help its listing and trading of the Target Shares on the Stock Exchange in accordance with the requirements of laws and regulations (i.e. the Full Circulation). Qualified Listing Expiry Date will be extended to the date on which the Shanghai Stock Exchange or the Shenzhen Stock Exchange makes a decision to terminate the review of issuance and listing or the date on which the CSRC decides not to give approval for its registration if the Company's Qualified Listing application has been accepted by the Shanghai Stock Exchange or the Shenzhen Stock Exchange.

For any Subscriber, in any circumstances (except for the circumstances where the Target Shares cannot be fully circulated due to the Subscribers' own reasons), if its Target Shares fail to achieve the Full Circulation within the six months from the date following the Qualified Listing Expiry Date due to the Company's non-fulfilment of the abovementioned duties, the Subscribers shall have the right to require Mr. Deng to acquire the Target Shares held by it within the six months after the notification by the Subscriber, at the Repurchase Price determined in accordance with the formula as set out in the Share Subscription Agreement:

$$\text{Repurchase Price} = \frac{\text{The consideration actually paid by the Subscribers to the Company in order to obtain the Target Shares}}{\text{number of days during the "period for calculation of the Repurchase Price"} \div 365} \times (1 + 8\% \times \text{actual number of days during the "period for calculation of the Repurchase Price"} \div 365) - \text{Any proceeds received by the Subscribers for the disposal of any Target Shares (if any)} + \text{Any profit of the Company declared to be distributed but not yet paid for the Target Shares held by the Subscribers as of the date when the Repurchase Price is paid}$$

Note: "Period for calculation of the Repurchase Price" refers to the period from the date of actual payment of the consideration by the Subscriber to the Company (inclusive) to the date of full payment of the Repurchase Price by Mr. Deng to the Subscribers (exclusive). If the actual payment date of each part of the consideration is different, such period shall be calculated separately.

For the avoidance of doubt, the 8% in the above formula should be calculated as simple interest. If the Repurchase Price calculated according to the above formula is negative, Mr. Deng shall not be obligated to acquire the Target Shares and pay any Repurchase Price to the Subscriber. If the Company has fulfilled the above obligations to cooperate on the Full Circulation while the Target Shares held by the Subscriber fail to achieve the Full Circulation due to the Subscriber's own reasons (such as the Subscriber does not meet the regulatory requirements on the shareholders' qualification in relation to the Full Circulation, etc.), Mr. Deng shall not be obligated to acquire the relevant Target Shares.

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The parties to the Share Subscription Agreement confirm that before the Qualified Listing Expiry Date or where the Company has completed the Qualified Listing, the Subscribers are not entitled to require the Company to cooperate on the Full Circulation, nor to exercise the Sale Right. If the exercise of the Sale Right will give rise to Mr. Deng's non-exempted obligation of tender offer (i.e., Mr. Deng shall make an offer to all Shareholders to acquire all or part of the Target Shares pursuant to the mandatory regulations), the Subscribers and Mr. Deng shall negotiate and take alternative measures to ensure that such obligation will not be triggered and the Subscribers will receive the Repurchase Price, otherwise Mr. Deng will be entitled to refuse to repurchase the Target Shares.

Based on the formula above, the Repurchase Price per Target Share may be higher or lower than the Subscription Price. Nevertheless:

- (i) the Investment Exit Arrangements (including the Repurchase Price) are between the Subscribers and Mr. Deng;
- (ii) as confirmed by the Directors, Mr. Deng agreed the Investment Exit Arrangements for the purpose of facilitating the Issuance by way of securing the Subscribers' exit intention, but not exploiting the possibility of acquiring any Target Share at price lower than the Subscription Price (Mr. Deng is also exposed to the risk of acquiring Target Share(s) at price higher than the Subscription Price); and
- (iii) the net proceeds received from the Issuance will not be affected by the finalised Repurchase Price per Target Share, regardless of whether it will be higher or lower than the Subscription Price.

Having considered the principal terms of the Share Subscription Agreement as set out above, we are of the view that the terms of the Share Subscription Agreement are on normal commercial terms and are fair and reasonable.

Possible dilution effect on the shareholding interests of the public Shareholders

With reference to the shareholding table as set out in Appendix I to the Circular, the shareholding interests of the existing public Shareholders (including Shareholders who are not core connected persons) would be diluted by approximately 1.17 percentage points immediately after completion of the Issuance.

Taking into account (i) the reasons for and benefits of the Issuance; and (ii) the terms of the Share Subscription Agreement being fair and reasonable, we are of the view that the said level of dilution to the shareholding interests of the existing public Shareholders as a result of the Issuance is justifiable.

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RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Share Subscription Agreement are on normal commercial terms and are fair and reasonable; and (ii) although the entering into of the Share Subscription Agreement is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and the H Share Class Meeting to approve the Share Subscription Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING



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

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6689)

NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2023 third extraordinary general meeting (“EGM”) of Chongqing Hongjiu Fruit Co., Limited (the “Company”) will be held at 10:00 a.m. on Wednesday, May 31, 2023 at the Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC, to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and approve resolution on the plan for issuance of Shares of the Company
2. To consider and approve resolution on entering into the conditional share subscription agreement between the Company and subscribers
3. To consider and approve resolution on authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares
4. To consider and approve resolution on amendments to the Articles of Association of Chongqing Hongjiu Fruit Co., Limited and application for change of industrial and commercial registration

By order of the Board
Chongqing Hongjiu Fruit Co., Limited
Deng Hongjiu
Chairman of the Board and Executive Director

Chongqing, the PRC
May 16, 2023

As at the date of this notice, the Board comprises Mr. Deng Hongjiu as the chairman of the Board and an executive Director, Ms. Jiang Zongying, Mr. Peng He, Mr. Yang Junwen and Ms. Tan Bo as executive Directors, Mr. Xia Bei, Mr. Dong Jiaxun and Mr. Chen Tongtong as non-executive Directors, and Ms. Xu Kemei, Ms. Liu Xiuqin, Mr. An Rui and Mr. Liu Anzhou as independent non-executive Directors.

NOTICE OF 2023 THIRD EXTRAORDINARY GENERAL MEETING

Notes:

1. Voting by poll

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, all votes of resolutions at a general meeting shall be taken by poll. As such, the votes of resolutions at the EGM will be taken by poll. An announcement on the voting results will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at <https://www.hjfruit.com> upon the conclusion of the EGM.

2. Eligibility for attending the EGM and closure of H Share register of members

For the purpose of determining the H Shareholders' entitlement to attend the EGM, the H Share register of members of the Company will be closed from Thursday, May 25, 2023 to Wednesday, May 31, 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the EGM, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, May 24, 2023. H shareholders of the Company whose names appear on the register of members of the Company on Thursday, May 25, 2023 are entitled to attend the EGM.

A shareholder or his/her proxy should present proof of identity when attending the EGM. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the EGM by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

3. Proxy

- (1) Each shareholder who has the right to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies in writing to attend and vote on his/her behalf at the meeting. A proxy needs not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

H shareholders shall lodge the proxy form, together with the notarized power of attorney or other document of authorization, to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for convening the EGM.

- (3) Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the EGM or any adjournment thereof should he/she so wish.
- (4) In the case of joint shareholders and more than one of the shareholders attending the meeting, whether in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

4. Miscellaneous

- (1) The EGM is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting are responsible for their own traveling and accommodation expenses.

NOTICE OF 2023 FIRST H SHARE CLASS MEETING



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

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

(Stock Code: 6689)

NOTICE OF 2023 FIRST H SHARE CLASS MEETING

NOTICE IS HEREBY GIVEN THAT the 2023 first H share class meeting (the “**H Share Class Meeting**”) of Chongqing Hongjiu Fruit Co., Limited (the “**Company**”) will be held at Conference Room, 22/F, Block B, CREG Fenghui International, 3 Donghu South Road, Yubei District, Chongqing, the PRC immediately upon the conclusion of the 2023 first domestic share class meeting of the Company, to consider and, if thought fit, pass the following resolutions:

SPECIAL RESOLUTIONS

1. To consider and approve resolution on the plan for issuance of Shares of the Company
2. To consider and approve resolution on entering into the conditional share subscription agreement between the Company and subscribers
3. To consider and approve resolution on authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares

By order of the Board

Chongqing Hongjiu Fruit Co., Limited

Deng Hongjiu

Chairman of the Board and Executive Director

Chongqing, the PRC

May 16, 2023

As at the date of this notice, the Board comprises Mr. Deng Hongjiu as the chairman of the Board and an executive Director, Ms. Jiang Zongying, Mr. Peng He, Mr. Yang Junwen and Ms. Tan Bo as executive Directors, Mr. Xia Bei, Mr. Dong Jiaxun and Mr. Chen Tongtong as non-executive Directors, and Ms. Xu Kemei, Ms. Liu Xiuqin, Mr. An Rui and Mr. Liu Anzhou as independent non-executive Directors.

NOTICE OF 2023 FIRST H SHARE CLASS MEETING

Notes:

1. Voting by poll

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, all votes of resolutions at a general meeting shall be taken by poll. As such, the votes of resolutions at the H Share Class Meeting will be taken by poll. An announcement on the voting results will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at <https://www.hjfruit.com> upon the conclusion of the H Share Class Meeting.

2. Eligibility for attending the H Share Class Meeting and closure of H Share register of members

For the purpose of determining the H Shareholders' entitlement to attend the H Share Class Meeting, the H Share register of members of the Company will be closed from Thursday, May 25, 2023 to Wednesday, May 31, 2023 (both days inclusive), during which period no transfer of H Shares will be registered. In order to attend the H Share Class Meeting, all share certificates, together with the instruments of transfers, must be lodged for registration with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, May 24, 2023. H shareholders of the Company whose names appear on the register of members of the Company on Thursday, May 25, 2023 are entitled to attend the H Share Class Meeting.

A shareholder or his/her proxy should present proof of identity when attending the H Share Class Meeting. If a shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the H Share Class Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

3. Proxy

- (1) Each shareholder who has the right to attend and vote at the H Share Class Meeting convened by the above notice is entitled to appoint one or more proxies in writing to attend and vote on his/her behalf at the meeting. A proxy needs not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorized attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other document of authorization must be notarized.

H shareholders shall lodge the proxy form, together with the notarized power of attorney or other document of authorization, to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time appointed for convening the H Share Class Meeting.

- (3) Completion and return of the proxy form will not preclude a shareholder from attending and voting in person at the H Share Class Meeting or any adjournment thereof should he/she so wish.
- (4) In the case of joint shareholders and more than one of the shareholders attending the meeting, whether in person or by proxy, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.

4. Miscellaneous

- (1) The H Share Class Meeting is expected to last for no more than half a working day. Shareholders and their proxies attending the meeting are responsible for their own traveling and accommodation expenses.

I. CONSIDERING AND APPROVING THE PLAN FOR ISSUANCE OF SHARES

In accordance with the Company Law, the Securities Law, the Measures for the Supervision and Administration of Non-listed Public Companies (《非上市公眾公司監督管理辦法》), Hong Kong Listing Rules, and the requirements of relevant laws, regulations, departmental rules and regulatory documents, the Company intends to issue domestic unlisted shares to certain domestic investors, and the details are as follows:

1. Types of the shares

The shares to be issued to domestic investors are domestic unlisted ordinary shares which are subscribed in Renminbi.

2. Nominal value per share

RMB1.00.

3. Issuance method

The Issuance is a non-public issuance of ordinary shares to selected investors.

4. Number of the shares to be issued

The total number of shares to be issued under the Issuance is not more than 30,487,802 shares, representing approximately 2.1515% of the total number of shares in issue before the Issuance, and representing 2.1062% of the total number of shares after the Issuance. The actual number of shares to be issued by the Company is subject to the approval by the CSRC and the final subscription amount of the Subscribers.

5. Subscribers of the shares to be issued

The Subscribers of the shares to be issued under the Issuance are Guizhou Zhongken, Hunan Zhongken, Chongqing Zhongken and Beijing Kentuo. These Subscribers are not the connected persons of the Company, and no Subscribers are expected to become substantial shareholders of the Company immediately after the Issuance. There is no preferential subscription arrangement for existing Shareholders of the Company.

6. Issue price

The issue price is RMB16.40 per share.

7. Subscription method

All the shares to be issued under the Issuance will be subscribed in cash, and issued in accordance with the relevant terms of the subscription agreement.

8. Lock-up arrangement

The shares to be issued under the Issuance shall comply with the PRC laws and regulations and the provisions of the Articles of Association regarding share transfer. Except for the aforesaid circumstances, there is no voluntary lock-up arrangement for the new shares to be issued under the Issuance.

9. Accumulated profits arrangement

The amount of accumulated undistributed profits of the Company is determined in accordance with International Financial Reporting Standards and reflected in the financial statements of the Company. As of December 31, 2022, the audited accumulated undistributed profits were RMB3,145 million. After the completion of the Issuance, the Company may distribute profits in accordance with applicable laws and regulations and the Articles of Association and the accumulated undistributed profits prior to the completion of the Issuance shall be shared by new and existing Shareholders immediately after the Issuance whose names appear on the register of members of the Company at the time of the distribution in proportion to their respective shareholdings.

10. Use of proceeds

It is expected that the gross proceeds and the net proceeds, after deduction of relevant expenses (including but not limited to the professional fees and disbursements), from the Issuance will be approximately RMB500.00 million and approximately RMB497.22 million, respectively. The net proceeds from the Issuance are intended to be used for the following purpose of the Company:

- (1) approximately 70% or RMB348.05 million for enhancement of fruits supply chain. The Company plans to further expand our upstream procurement network and penetration, including but not limited to (a) strengthening procurement capability in the places of origin by increasing the number of domestic and foreign partnered orchards to ensure a consistent and quality supply and secure more high-quality fruits in advance. Our local procurement teams work closely with the local market to conduct research and select high-quality local orchards for collaboration. The net proceeds will be utilized as deposit on high-quality orchards and to facilitate such collaboration; and (b) recruiting local talents and expand local teams in Thailand and Vietnam. These new hires will be responsible for coordinating local procurement and logistics, managing local processing, performing quality control on our procurement, as well as general administration.

- (2) approximately 30% or RMB149.17 million for replenishment of working capital. Based on the Company's past development and actual business needs, sufficient working capital will enable the Company to expand customers and distribution network at the downstream sales end, scale up the layout and secure the supply of high-quality fruits at the upstream procurement end, and continue to increase market share. The Board believes that the abovementioned use of proceeds for replenishing the working capital of the Group would relieve part of the financial pressure, supplement the cash flow, reduce the financial leverage of the Group as well as prevent market risks and liquidity risks.

Based on the best estimation of the business market situations made by the Board, it is currently expected that the net proceeds from the Issuance will be fully utilized by December 31, 2023, which might be subject to changes based on the market conditions and procedure of regulatory approval for the Issuance.

11. Validity period

The validity period of the plan for the Issuance is 12 months from the date of consideration and approval at shareholders' class meetings and the general meeting of the Company.

The Issuance is subject to approval by the CSRC after consideration and approval at the general meeting and shareholders' class meetings, and the final plan approved by the CSRC shall prevail.

II. CONSIDERING AND APPROVING ENTERING INTO THE CONDITIONAL SHARE SUBSCRIPTION AGREEMENT

On April 4, 2023, the Company entered into the Share Subscription Agreement with the Subscribers, pursuant to which, the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to issue a total of 30,487,802 domestic unlisted ordinary shares at a subscription price of RMB16.40 per Target Share at an aggregate cash consideration of approximately RMB499,999,952.80. The main terms of the Share Subscription Agreement are as follows:

Date

April 4, 2023

Contractual Parties

Party A: the Subscribers

Party B: the Company; and

Party C: Mr. Deng Hongjiu

Subscription Price

The subscription price of Target Shares is RMB16.40 per share (based on the middle exchange rates for Hong Kong dollars to Renminbi as announced by the People's Bank of China on April 4, 2023, equivalent to approximately HK\$18.74 per share).

The subscription price represents:

- (1) a discount of approximately 29.3% to the closing price of HK\$26.50 per share as quoted on the Stock Exchange on April 4, 2023 (being the last trading day);
- (2) a discount of approximately 32.0% to the average closing price of approximately HK\$27.57 per share as quoted on the Stock Exchange for the last five consecutive trading days up to and including April 4, 2023; and
- (3) a discount of approximately 24.7% to the average closing price of approximately HK\$24.87 per share as quoted on the Stock Exchange for the last 120 consecutive trading days up to and including April 4, 2023.

The subscription price was determined after arm's length negotiations between the Company and the Subscribers after fully taking into account the interests of the Shareholders, the acceptance level of investors, the risks relating to the issuance, potential benefits arising from business synergies between the Subscribers and the Company, financial conditions of the Company in recent years, the dilutive effect of the Issuance, etc.

The subscription price of the Issuance represents a discount to trading prices of the shares of the Company on the Stock Exchange as stated above, which is mainly due to the followings:

- (i) Shares to be issued under the Issuance are domestic unlisted shares, which, due to unlisted nature and non-public trading status, have lower liquidity than those of the Company trading on the Stock Exchange;
- (ii) The Subscribers intend to realize investment exit by reducing their shareholdings in Target Shares on A share markets upon the consummation of A Shares listing by the Company. Given that as of the Latest Practicable Date, the Company has not filed any application for the listing to the CSRC, stock exchanges or other regulatory authorities, the listing of A Shares is subject to approval which may take certain period of time to obtain, and the pre-IPO investors of A Shares are subject to lock-up period upon the listing imposed by the currently applicable laws and regulations, the Subscribers shall hold the shares over a long period of time before they manage to achieve shareholding reduction. As a results, as compared to the shares of the Company listed on the Stock Exchange, the Subscribers are subject to relatively greater uncertainties and relatively higher investment risks;

- (iii) Each of the Subscribers could create synergies with the Company that empower our long-term business development strategies. The Subscribers (i.e., Guizhou Zhongken, Hunan Zhongken, Chongqing Zhongken and Beijing Kentuo) are regional industrial funds with a focus on investments in agricultural industry. Their limited partners include agricultural funds or investment platforms established by local governments such as China Agricultural, a state-owned industrial fund with an investment focus in the agricultural industry in various areas across the PRC, and local state-owned enterprises such as Guizhou Agricultural Fund, Hunan Government Investment Fund Management Center, Chongqing Tongnan District Finance Bureau and Beidahuang Investment Holding Co., Ltd., who possess abundant resources in terms of place of origin of distinguished fruit products which could enable the Company to procure high-quality local fruits from the places of origin at relatively low prices. For further background information of the Subscribers, please refer to the sub-section headed “General Information about the Subscribers”.

Reference is made to the announcement of the Company dated April 4, 2023 (the “**Announcement**”) in relation to, among other things, the intention of business cooperation achieved between the Company and each of Guizhou Zhongken, Hunan Zhongken and Chongqing Zhongken. As disclosed in the Announcement, the Company plans to cooperate actively with the local governments and agrarian cooperatives of the places where such Subscribers locate (including Guizhou Province, Hunan Province and Chongqing). The Company will use its wholly-owned subsidiaries established in Guizhou Province, Hunan Province and Tongnan District, Chongqing (the “**Relevant Subsidiaries**”) as the main cooperation vehicle to gradually integrate its existing major businesses in Guizhou Province, Hunan Province and Tongnan District, Chongqing to the Relevant Subsidiaries within a reasonable period of time with the Relevant Subsidiaries being primarily responsible for the Company’s sales and procurement businesses in Guizhou Province, Hunan Province and Tongnan District, Chongqing. The Company will actively promote high-quality fruit varieties in Guizhou Province, Hunan Province and Chongqing, enhance the popularity of fruit varieties in these areas, and gradually expand the market share and purchases of fruits in Guizhou Province, Hunan Province and Chongqing.

By this way, the Company will procure fruit categories with local speciality thereat and distribute nationwide, thereby expanding the fruit places of origin network of the Company, which would create synergies with the Company’s long-term business development by replicating the end-to-end model to domestic fruits, strengthening advantages of our “end-to-end” industrial chain and further forming new driver for revenue growth of the Company;

- (iv) The net assets per share, calculated based on the audited consolidated net assets of the Company as of December 31, 2022 and the total number of shares of the Company in issue before the Issuance, is approximately RMB4.55. The price of the Issuance is higher than the net assets per share mentioned above;
- (v) Based on market value as of April 4, 2023, the theoretical dilutive effect of the Issuance is relatively low and is expected to be approximately 0.7%.

Subscription Quantity and Subscription Amount

The total number of the Target Shares issued under the Issuance is 30,487,802 shares, and the total subscription amount of the Subscribers is RMB499,999,952.80, of which:

- (1) Guizhou Zhongken subscribed for 18,292,682 Target Shares, and the corresponding subscription amount is RMB299,999,984.80;
- (2) Hunan Zhongken subscribed for 6,097,560 Target Shares, and the corresponding subscription amount is RMB99,999,984.00;
- (3) Chongqing Zhongken subscribed for 3,048,780 Target Shares, and the corresponding subscription amount is RMB49,999,992.00; and
- (4) Beijing Kentuo subscribed for 3,048,780 Target Shares, and the corresponding subscription amount is RMB49,999,992.00.

Payment Methods

In respect of any Subscriber, upon the effective date of the Share Subscription Agreement and the satisfaction of Conditions Precedent (as defined below) (other than obtaining the approval or filing document from the CSRC in respect of the Issuance) (or waived by the corresponding Subscriber in writing), the Company shall send a written notice to the corresponding Subscriber for requesting payment of the First Installment Subscription Price to confirm that such Conditions Precedent have been satisfied; the corresponding Subscriber shall remit the subscription price (amounting to 30% of the total subscription price, the “**First Installment Subscription Price**”) in full to the special account designated by the Company (the “**Special Account for Subscription Fund**”) in cash within 5 Working Days upon receipt of the notice of payment of the First Installment Subscription Price from the Company. In respect of any Subscriber, upon the effective date of the corresponding Share Subscription Agreement and the satisfaction of all Conditions Precedent (or waived by the corresponding Subscriber in writing), the Company shall send a written notice to the corresponding Subscriber for requesting payment of the remaining subscription price to confirm that such Conditions Precedent have been satisfied; the corresponding Subscriber shall remit the remaining subscription price (amounting to 70% of the total subscription price, the “**Second Installment Subscription Price**”) in full to the Special Account for Subscription Fund in cash within 5 Working Days upon receipt of the notice of payment of the remaining subscription

price from the Company. The date on which the First Installment Subscription Price is paid and the date on which the Second Installment Subscription Price is paid to the Company by the corresponding Subscriber are collectively referred to as the “**Payment Dates**”. The only difference in the circumstances where the Subscriber should pay the First Installment Subscription Price and the Second Installment Subscription Price is the Company has obtained the approval or filing document from the CSRC in respect of the Issuance.

Conditions Precedent of Payment of the Subscription Price

The parties agree that the corresponding Subscriber shall be obligated to pay the subscription price agreed under the Share Subscription Agreement on the corresponding Payment Dates only if the following conditions precedent (the “**Conditions Precedent**”) are satisfied (or waived by the corresponding Subscriber in writing):

- (1) The Board and the general meetings (including the EGM, Domestic Share Class Meeting and H Share Class Meeting) of the Company approve the Issuance and obtain the approval or filing document from the CSRC in respect of the Issuance (among which, the approval or filing document obtained from the CSRC in respect of the Issuance is only applicable to the payment of the Second Installment Subscription Price);
- (2) As of the corresponding Payment Dates, each of the representations and warranties made by the Company in the Share Subscription Agreement is true, accurate and complete in material respects, and the Company has not violated the representations, warranties, commitments and obligations agreed herein in material respects;
- (3) As of the corresponding Payment Dates, there are no applicable laws, courts, arbitration authorities or relevant regulatory authorities’ judgments, awards, decisions or orders restricting, prohibiting or canceling the transaction under the Share Subscription Agreement;
- (4) As of the corresponding Payment Dates, there has been no event that has had or may have a material adverse effect on the business, financial position, operating results, assets and liabilities of each member of the Group; no other material adverse changes have occurred in each member of the Group, and no other circumstances have had or may have any material adverse effect on the transaction under the Share Subscription Agreement;
- (5) The Share Subscription Agreement has been duly authorized, executed and delivered and is legally binding on the parties to it.

For the avoidance of doubt, all Conditions Precedent could be waived by the corresponding Subscriber due to the fact that the Conditions Precedent, which were determined after arm's length negotiation between the Company and the Subscribers with reference to the prevailing market practice. In the event that the Company is unable to fulfil any Condition Precedent, the corresponding Subscriber is entitled to waive such Condition Precedent at its sole and absolute discretion in order to proceed with the transaction under the Share Subscription Agreement. However, the right of waiver is only a contractual arrangement on the payment of subscription price between the Company and the Subscribers, the exercise of which will only lead to the payment obligations of the Subscribers and will not exempt the Company from its obligations under the applicable laws and regulations (including the Listing Rules) and the Articles of Associations. The Board believes that such arrangement would facilitate the closing of the transaction to the extent practicable, would not have a material adverse effect on the Company or the transaction itself, and is fair and reasonable and in the interests to the Company and the Shareholders.

As of the Latest Practicable Date, the Board has approved the Issuance and the Share Subscription Agreement has been duly authorized, executed and delivered and is legally binding on the parties to it. Save as stated above, other Conditions Precedent are still subject to satisfaction or waiver.

Closing

The completion of the Issuance is subject to the fulfillment of the following conditions: (i) the consideration and approval for the Issuance at the general meeting and shareholders' class meetings of the Company; (ii) the approval for the Issuance by the CSRC; and (iii) the full payment of the subscription price by the corresponding Subscriber as agreed in the Share Subscription Agreement. After all such conditions are fulfilled, the Company shall issue shares in compliance with the Share Subscription Agreement to the corresponding Subscriber in a timely manner. The Company shall also complete registration procedures for shares subscribed by the corresponding Subscriber in accordance with the requirements of the securities registration and clearing institutions, issue the register of shareholders to the corresponding Subscriber, which records the Subscribers' subscription for shares under the Share Subscription Agreement, as well as complete the registration/filing procedures for industrial and commercial change as required by the Issuance within 20 Working Days upon the full payment of the subscription price by the corresponding Subscriber. The date on which the foregoing matters are completed is referred to as the "Closing Date".

Investment Exit Arrangements

The Subscribers intend to realize investment exit by reducing their shareholdings in Target Shares upon the consummation of the Qualified Listing by the Company. Nonetheless, shareholding reduction in the Target Shares by Subscribers shall comply with the provisions of the then effective laws and administrative regulations of the PRC and other regulatory documents promulgated by the relevant regulatory authorities such as the CSRC and stock exchanges. If the Company fails to complete the Qualified Listing before December 31, 2025

APPENDIX I BUSINESSES OF THE EGM AND/OR THE H SHARE CLASS MEETING

(the “**Qualified Listing Expiry Date**”), each Subscriber has the right to require the Company to help its listing and trading of the Target Shares on the Stock Exchange in accordance with the requirements of laws and regulations (the “**Full Circulation**”). Qualified Listing Expiry Date will be extended to the date on which the Shanghai Stock Exchange or the Shenzhen Stock Exchange makes a decision to terminate the review of issuance and listing or the date on which the CSRC decides not to give approval for its registration if the Company’s Qualified Listing application has been accepted by the Shanghai Stock Exchange or the Shenzhen Stock Exchange. For any Subscriber, in any circumstances (except for the circumstances where the Target Shares cannot be fully circulated due to the Subscribers’ own reasons), if its Target Shares fail to achieve the Full Circulation within the six months from the date following the Qualified Listing Expiry Date due to the Company’s non-fulfilment of the abovementioned duties, the Subscribers shall have the right (the “**Sale Right**”) to require Mr. Deng to acquire the Target Shares held by it within the six months after the notification by the Subscriber, at a repurchase price (the “**Repurchase Price**”) determined in accordance with the following formula as set out in the Share Subscription Agreement:

$$\begin{array}{r}
 \text{Repurchase Price} = \frac{\text{The consideration actually paid by the Subscribers to the Company in order to obtain the Target Shares}}{\text{Shares}} \times (1 + 8\% \times \text{actual number of days during the “period for calculation of the Repurchase Price”} \div 365) - \text{Any proceeds received by the Subscribers for the disposal of any Target Shares (if any)} + \text{Any profit of the Company declared to be distributed but not yet paid for the Target Shares held by the Subscribers as of the date when the Repurchase Price is paid}
 \end{array}$$

Note: “Period for calculation of the Repurchase Price” refers to the period from the date of actual payment of the consideration by the Subscriber to the Company (inclusive) to the date of full payment of the Repurchase Price by Mr. Deng to the Subscribers (exclusive). If the actual payment date of each part of the consideration is different, such period shall be calculated separately.

For the avoidance of doubt, the 8% in the above formula should be calculated as simple interest. Such interest rate was determined after arm’s length negotiation among the parties to the Share Subscription Agreement based on the prevailing market rate and market financing conditions, with reference to the previous transactions of similar nature entered into by the Company and the costs of funds of the Subscribers. If the Repurchase Price calculated according to the above formula is negative, Mr. Deng shall not be obligated to acquire the Target Shares and pay any Repurchase Price to the Subscriber. If the Company has fulfilled the above obligations to cooperate on the Full Circulation while the Target Shares held by the Subscriber fail to achieve the Full Circulation due to the Subscriber’s own reasons (such as the Subscriber does not meet the regulatory requirements on the shareholders’ qualification in relation to the Full Circulation, fails to obtain all requisite internal approvals and authorizations in connection with the Full Circulation and fails to obtain all necessary regulatory approvals and/or make all necessary filings (including those related to state-owned assets management and industrial supervision)), Mr. Deng shall not be obligated to acquire the relevant Target Shares.

The parties to the Share Subscription Agreement confirm that before the Qualified Listing Expiry Date or where the Company has completed the Qualified Listing, the Subscriber is not entitled to require the Company to cooperate on the Full Circulation, nor to exercise the Sale Right. If the exercise of the Sale Right will give rise to Mr. Deng's non-exempted obligation of tender offer (i.e., Mr. Deng shall make an offer to all Shareholders to acquire all or part of the Target Shares pursuant to the mandatory regulations (such as the Codes on Takeovers and Mergers and Share Buy-backs)), the Subscriber and Mr. Deng shall negotiate and take alternative measures to ensure that such obligation will not be triggered while cash equivalent to the Repurchase Price will be paid to the Subscriber, otherwise Mr. Deng will be entitled to refuse to repurchase the Target Shares.

For the avoidance of doubt, if any investment exit arrangements under this section violates applicable laws and administrative regulations, such arrangements shall be deemed void from ab initio.

Effective Conditions

The Share Subscription Agreement is established among the Company, Mr. Deng and the corresponding Subscriber upon signing by the Company, Mr. Deng and the corresponding Subscriber, and the Share Subscription Agreement shall become effective upon approval at the general meeting of the Company.

Termination

- (1) For any Subscriber, during the period between the signing date and the closing date, if: (i) an event or circumstance occurred that had or is reasonably expected to have a material adverse effect, (ii) any statement, representation and warranties of the Company contained in the Share Subscription Agreement are untrue or incorrect in any respect, (iii) the Company has not complied with any undertaking or covenant in the Share Subscription Agreement by which it shall abide, and has not been rectified within 30 days upon the written reminder of the Subscribers, (iv) any circumstances which may give rise to the risk of delisting of the Company occurred, or (v) any proceedings were brought by or against any member of the Group for the purpose of declaring the Company into bankruptcy proceedings or for dissolution, liquidation, winding up, reorganization or debt restructuring under any law in respect of bankruptcy, insolvency or reorganization, the Subscribers may unilaterally terminate its participation in the Issuance (in which case, the Subscriber waives the right to subscribe for domestic ordinary shares under the Share Subscription Agreement);
- (2) For any Subscriber, if the Subscriber has not complied with any undertaking or covenant in the Share Subscription Agreement by which it shall abide and fails to rectify within 30 days upon written reminder by the Company, the Company may

unilaterally terminate the Subscriber's participation in the Issuance (in which case, the Subscriber loses the right to subscribe for domestic ordinary shares under the Share Subscription Agreement);

- (3) If any law or regulation is promulgated or any governmental entity issues an order, decree or ruling or has taken any other action to restrict, prevent or otherwise prohibit the transactions contemplated herein, or render the transactions under the Share Subscription Agreement illegal or impossible, while such order, decree, ruling or other action is final and not available for review, prosecution or appeal, and the Company or the Subscriber cannot find a suitable alternative within 30 days after one party has notified the other parties in writing, the Share Subscription Agreement may be terminated by either the Company or any Subscriber.
- (4) Upon the unanimous written consent of the corresponding Subscriber, the Company and Mr. Deng, the Share Subscription Agreement shall terminate in force among such parties.

General Information about the Subscribers

(1) Guizhou Zhongken

Guizhou Zhongken is a private equity investment fund established under the laws of the PRC and mainly invests in agricultural industry. Its general partner and fund manager is Zhaoken Capital Management (Beijing) Co., Ltd. (招壘資本管理(北京)有限公司) (“**Zhaoken Capital**”), which holds approximately 1% of the partnership interest and is a private equity fund manager registered under the relevant PRC laws. The limited partners of Guizhou Zhongken are Guizhou Agricultural and Rural Modernization Development Equity Investment Fund Partnership (L.P.) (貴州省農業農村現代化發展股權投資基金合夥企業(有限合夥)) (“**Guizhou Agricultural Fund**”) and China Agricultural, which hold approximately 60% and 39% of the partnership interest respectively. Both Zhaoken Capital and Guizhou Agricultural Fund are ultimately wholly-owned by the PRC government. The general partner and fund manager of China Agricultural is Zhaoken Capital, which holds approximately 0.01% of the partnership interest. The limited partners of China Agricultural are Beidahuang Investment Holding Co., Ltd. (北大荒投資控股有限公司) (which holds approximately 39.97% of the partnership interest with the Ministry of Finance of the People's Republic of China as its ultimate beneficial owner), Ministry of Finance of the People's Republic of China (which holds approximately 19.98% of the partnership interest), Shenzhen Zhaorong Agricultural Investment Co., Ltd. (深圳市招融農壘投資有限公司) (which holds approximately 14.99% of the partnership interest with the PRC government as its ultimate beneficial owner), ABC Financial Asset Investment Co., Ltd. (農銀金融資產投資有限公司) (which holds approximately 9.99% of the partnership interest with Agricultural Bank of China Limited, a company listed on the Shanghai Stock Exchange (Stock Code: 601288) and the Hong Kong Stock Exchange (Stock Code: 01288), as its ultimate beneficial owner) and the remaining four limited partners (each of which holds no more than 5% of the partnership interest in China Agricultural and is an independent third party of the Company).

(2) Hunan Zhongken

Hunan Zhongken is a private equity investment fund established under the laws of the PRC and mainly invests in agricultural industry. The general partner and fund manager of Hunan Zhongken is Zhaoken Capital (which holds approximately 0.99% of the partnership interest), and its limited partners are China Agricultural (which holds approximately 49.5% of the partnership interest), Hunan Provincial Government Investment Fund Management Center (湖南省政府投資基金管理中心) (which holds approximately 34.5% of the partnership interest) and Changsha Investment Holdings Co., Ltd. (長沙市投資控股有限公司) (which holds approximately 15% of the partnership interest). Hunan Provincial Government Investment Fund Management Center is wholly-owned by the Hunan Provincial Department of Finance (湖南省財政廳), and Changsha Investment Holdings Co., Ltd. is wholly-owned by the Changsha Municipal Finance Bureau (長沙市財政局).

(3) Chongqing Zhongken

Chongqing Zhongken is a private equity investment fund established under the laws of the PRC and mainly invests in agricultural industry. Its general partner and fund manager is Zhaoken Capital (which holds approximately 0.1% of the partnership interest), and its limited partners are China Agricultural (which holds approximately 49.95% of the partnership interest) and Chongqing Tongnan District Finance Bureau (重慶市潼南區財政局) (which holds approximately 49.95% of the partnership interest).

(4) Beijing Kentuo

Beijing Kentuo is a private equity investment fund established under the laws of the PRC and mainly invests in agricultural industry. Its general partner and fund manager is Beidahuang (Beijing) Private Equity Fund Management Co., Ltd. (北大荒(北京)私募基金管理有限公司) (which holds approximately 0.99% of the partnership interest), and its limited partners are Beidahuang Investment Holding Co., Ltd. (北大荒投資控股有限公司) and China Agricultural, which hold approximately 69.31% and 29.7% of the partnership interest. Beidahuang (Beijing) Private Equity Fund Management Co., Ltd. is a wholly-owned subsidiary of Beidahuang Investment Holding Co., Ltd., which is ultimately wholly-owned by the PRC government.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Subscribers is not a connected person of the Company and it is expected that no Subscriber will become a substantial shareholder of the Company immediately following the Issuance.

Listing Rules Implications

Mr. Deng, being an executive Director and one of the Controlling Shareholders, is a connected person of the Company. Therefore, the Share Subscription Agreement entered into among the Subscribers, the Company and Mr. Deng is deemed as a connected transaction of the Company which is subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Effects of the Issuance on the Shareholding Structure of the Company

For reference and illustration purposes only, assuming that the total number of shares to be issued in the Issuance is 30,487,802 Target Shares and there is no change of the total issued share capital of the Company from the Latest Practicable Date, the shareholding structure of the Company as of the Latest Practicable Date and immediately after completion of the Issuance is set out as follows:

	As of the Latest Practicable Date		Immediately after completion of the Issuance	
	Number of shares	Approximate percentage of the total number of shares in issue ^{Note}	Number of shares	Approximate percentage of the total number of shares in issue ^{Note}
Domestic Shares	469,672,221	33.14%	500,160,023	34.55%
Controlling Shareholders	369,311,055	26.06%	369,311,055	25.51%
Domestic Shares held by other core connected persons	6,493,500	0.46%	6,493,500	0.45%
Guizhou Zhongken	–	–	18,292,682	1.26%
Hunan Zhongken	–	–	6,097,560	0.42%
Chongqing Zhongken	–	–	3,048,780	0.21%
Beijing Kentuo	–	–	3,048,780	0.21%
Domestic Shares held by other Domestic Shareholders	93,867,666	6.62%	93,867,666	6.48%
H Shares	947,394,185	66.86%	947,394,185	65.45%
Controlling Shareholders	256,714,995	18.12%	256,714,995	17.73%
H Shares held by other core connected persons	6,493,500	0.46%	6,493,500	0.45%
H Shares held by public H Shareholders	<u>684,185,690</u>	<u>48.29%</u>	<u>684,185,690</u>	<u>47.26%</u>
Total	<u><u>1,417,066,406</u></u>	<u><u>100.00%</u></u>	<u><u>1,447,554,208</u></u>	<u><u>100.00%</u></u>

Note:

The difference between the sum of the individual items and the total in the above table is due to rounding.

Equity Financing Activities in the Past Twelve Months

1. *The Global Offering*

The Company’s H Shares were listed on the Stock Exchange on September 5, 2022, and the Over-allotment Option (as defined in the Prospectus) was partially exercised on September 28, 2022. The Company issued a total of 14,294,900 new shares in connection with its Global Offering and the partial exercise of the Over-allotment Option at an issue price of HK\$40.00 per share. The total proceeds raised by the Company in connection with its Global Offering and the issuance of new shares as a result of the partial exercise of the Over-allotment Option (the “**Proceeds Previously Raised**”) amounted to HK\$571.80 million. After deducting the underwriting fees and related transaction fees, the actual Proceeds Previously Raised received were HK\$559.13 million, and the amount transferred to the RMB settlement and pending payment account at the current exchange rate was RMB509.01 million. The resolution on the change in use of part of the Proceeds Previously Raised (the “**Change**”) was considered and approved by the Board meeting of the Company held on March 14, 2023 and the 2023 second extraordinary general meeting of the Company held on April 4, 2023. The use after the Change is shown in the table below. As of the Latest Practicable Date, the Proceeds Previously Raised have been used according to the use after the Change.

Use of Proceeds Previously Raised after the Change

	Amount <i>(RMB in million)</i>	Percentage <i>(%)</i>
Improvement of fruit supply chain	342.99	67.3
Fruit brand building and product promotion	80.35	15.8
Digital system upgrade and global fruit industry internet platform development	0.77	0.2
Repayment of bank loans	34.00	6.7
Replenishing working capital needs and other general corporate purposes	50.90	10.0
Total	509.01	100.0

2. *The H Share Placing*

Reference is made to the announcements of the Company dated April 12, 2023 and April 19, 2023 (the “**Announcements**”) in relation to the successful allotment and issue of a total of 14,960,000 new H Shares at a placing price of HK\$23.61 per H Share to 23 places (the places and their respective ultimate beneficial owners are not connected persons of the Company) on April 19, 2023 (the “**Placing**”) for gross proceeds from the Placing (the “**Proceeds from the Placing**”) of approximately HK\$353.21 million in aggregate and net proceeds from the Placing

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(after deduction of commissions and estimated expenses) of approximately HK\$344.86 million in aggregate. As of the Latest Practicable Date, the Group has not utilized the net proceeds from the Placing and intends to use all the proceeds from the Placing in the manner as disclosed in the Announcements:

Expected use of net Proceeds from the Placing	Allocation of net Proceeds from the Placing (HKD in million)	Percentage of total net Proceeds from the Placing %	Amount of net Proceeds from the Placing utilized as of the Latest Practicable Date (HKD in million)	Balance of net Proceeds from the Placing unutilized as of the Latest Practicable Date (HKD in million)	Expected timetable for use of the unutilized net Proceeds from the Placing
For strengthening the fruit supply chain	241.40	70	0	241.40	Before December 31, 2023
For replenishing working capital	103.46	30	0	103.46	Before December 31, 2023
Total	344.86	100	0	344.86	

The expected timeline for using the unutilised net proceeds is based on the best estimation of the business market situations made by the Board and might be subject to changes based on the market conditions.

Save as disclosed above, there were no other financing activities involving the issue of equity securities of the Company in the 12 months preceding the Latest Practicable Date.

Reasons and Purposes of the Issuance

The Group is mainly engaged in operating the entire industry chain for quality fruit primarily grown in China, Thailand and Vietnam. Based on the Company's past development history and actual business needs, sufficient capital support will enable the Company to expand its customers and network at the downstream sales and to deepen its layout and target quality fruits at the upstream procurement, thereby continuously strengthening the Company's "end-to-end" fruit supply chain and continuously increasing its market share.

Specifically, the reasons and purposes of the Issuance are as follows:

1. It is necessary for the Company to seize the industry development opportunities and achieve leapfrog development.

The market and industry in which the Company operates has a broad outlook and is undergoing rapid development. According to the CIC, the market size of China's fresh fruit retail market has increased from RMB939.0 billion in 2017 to RMB1,336.9 billion in 2021 and is expected to further grow to RMB2,071.4 billion in 2026, representing a compound annual growth rate of 9.2%; in particular, the Company's core fruit categories, such as durian, are

expected to grow at a compound annual growth rate of 20.1% from 2021 to 2026, which is the highest growth rate among the \$10 billion fruit categories in the China's fresh fruit retail market. In addition, the Company faces tremendous market opportunities on both the demand and supply sides. Therefore, the replenishment of the Company's capital through the Issuance will help the Company achieve leapfrog development, accelerate business expansion, consolidate its capital strength and enhance its competitive advantage.

2. It is necessary for the Company to further strengthen the supply chain and drive the common development of the upstream and downstream industry chains.

Through the in-depth layout of quality fruit production areas, nationwide sales and distribution network and efficient "end-to-end" supply chain, the Company can deliver fresh fruit products directly from local orchards to retail terminals nationwide. The proceeds raised from the Issuance of the Company will be mainly used to supplement the Company's working capital and strengthen the supply chain, including but not limited to increasing the coverage of high-quality fruit base resources in the upstream, and actively laying down the downstream national sales channel network, which will be of great help to the continuous strengthening of the Company's supply chain.

3. It is the Company's response to the need of "rural revitalization", "One Belt, One Road" and other strategies of China.

The Company actively responds to the "rural revitalization" strategy of China and has provided training and resources for fruit production, storage, logistics and sales in many rural areas such as Fengjie County, Shizhu County, Changshou District and Wushan County in Chongqing City. The Company is also an active practitioner of the "One Belt, One Road" strategy, bringing special fruits from Thailand and Vietnam to consumers in China, adding support to the economic cooperation between China and the "One Belt, One Road" countries. Through the Issuance, the Company will be able to obtain more resources to support its business development, help the Company to establish close ties with more governments and cooperatives in quality fruit-producing regions in China, jointly create new fruit varieties, and use its nationwide sales network to help quality producing regions to sell fruits nationwide and through multiple channels, strengthen its own supply chain while better serving the national strategy.

4. It is necessary for the Company to further strengthen its capital base, enhance the Company's ability to withstand risks, and seize the huge market opportunities brought by the macroeconomic rebound.

With the expected strong recovery of China's economy and the consistent resilience and depth of China's economy, the Company is optimistic about the performance of China's macro economy and capital market in 2023. On the other hand, the Central Economic Conference held in December 2022 pointed out that the foundation of China's economic recovery is not yet

solid, and the triple pressure of shrinking demand, supply shock and weakening expectations is still relatively strong, besides, the external environment is volatile. The Company believes that a positive strategy should be adopted to strengthen the Company's risk resistance.

Therefore, under the aforementioned macroeconomic situation and capital market environment, the Issuance is beneficial to the Company in strengthening its capital base, optimizing its capital structure, enhancing its ability to withstand risks such as market risk and liquidity risk, and ensuring stable operations in an uncertain environment.

The Directors (including the Independent Non-executive Directors) consider that the Share Subscription Agreement, though not in the ordinary and usual course of business of the Group, is entered into at arm's length basis and on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

III. CONSIDERING AND APPROVING AUTHORIZATION TO THE BOARD AND ITS AUTHORIZED PERSONS TO PROCEED WITH MATTERS IN CONNECTION WITH ISSUANCE OF SHARES

In order to improve the efficiency of matters relating to the Issuance, the Board of the Company has requested the general meeting and the shareholders' class meeting to authorize the Board, and the Board has delegated the authorization to specific persons (unless otherwise authorized by the Board, such persons shall be the chairman of the Company and the secretary to the Board) individually or jointly to handle matters related to the Issuance, including but not limited to:

1. signing and submitting the applications, reports and other documents related to the Issuance to the regulatory authorities, and completing certain procedures such as those for approval, registration, filing, licensing, consent and registration.
2. determining the specific plan for the Issuance, including but not limited to the determination of the number of shares to be issued, the Subscribers, the issue price, the issuance timing, the specific investment amount to be invested with the proceeds raised from the Issuance and other relevant matters, subject to the limitations of the plan for the Issuance as approved at the general meeting and shareholders' class meetings;

making corresponding adjustments to the specific plan of the Issuance and other relevant matters (including the suspension and termination of the plan) in the event of changes in relevant laws, regulations or normative documents, or changes in regulatory policies or market conditions, except for matters that are required to be re-voted at the general meeting and shareholders' class meetings pursuant to the requirements of relevant laws, regulations, normative documents and the Articles of Association.

3. negotiating and signing the Share Subscription Agreement with the Subscribers and confirming any amendments, implementation and termination of the Share Subscription Agreement.

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4. handling the work in relation to obtaining the approvals from the CSRC, the Stock Exchange and/or other relevant regulatory authorities for the Issuance.
5. making appropriate amendments to the relevant contents of the plan for the Issuance according to the actual situation of the Issuance and the approval documents or requirements of the relevant regulatory authorities.
6. signing, implementing, modifying and completing all the documents related to the Issuance, and conducting all the desirable or appropriate actions and matters related to the Issuance.
7. approving the publication of announcements, circulars and notices related to the Issuance on the websites of the Stock Exchange and the Company, and submitting relevant forms, documents or other data to the Stock Exchange.
8. upon completion of the Issuance, increasing the registered capital of the Company and making corresponding amendments to the provisions in the Articles of Association in respect of the registered capital and shareholding structure of the Company according to the status of the Issuance, and completing the relevant approval formalities with the regulatory authorities and relevant formalities for change, registration and filing with the market supervision and administrative authorities and other relevant government departments (including the application for change of registration matters of the Company and renewal of business license, etc.).
9. taking all necessary measures to deal with other matters related to the Issuance in compliance with the relevant laws and regulations.

As Mr. Deng, Ms. Jiang Zongying and Mr. Dong Jiaxun are interested in the above matters or serve management positions of the Subscribers' associates, they are considered to be connected with and therefore have abstained from voting on the relevant Board resolutions concerning (i) the plan for issuance of Shares of the Company; (ii) entering into conditional Share Subscription Agreement between the Company and the Subscribers; and (iii) authorization to the Board and its authorized persons to proceed with matters in connection with issuance of Shares. Save as mentioned above, no other Directors are required to abstain from voting on the Board resolutions for considering and approving the relevant matters.

IV. CONSIDERING AND APPROVING AMENDMENTS TO THE ARTICLES OF ASSOCIATION

After the completion of the Issuance, the registered capital and share capital structure of the Company will change. In view of this, the Company proposes to make amendments (the “Amendments”) to certain articles in the existing Articles of Association. Details are set forth as follows:

No.	Existing Articles	Amended Articles
1	Article 5 The registered capital of the Company is RMB1,417,066,406.	Article 5 The registered capital of the Company is RMB 1,447,554,208 .
2	<p>Article 18 As approved by the examination and approval department authorized by the State Council, the total number of ordinary shares issued by the Company is 1,417,066,406. Among others:</p> <p>(I) The Company issued a total of 5,000,000 shares to the two promoters, Deng Hongjiu and Jiang Zongying, at the time of its establishment.</p> <p>(II) After the establishment of the Company, the Company has undergone a second capital increase, and capitalization of the capital reserve. As at the date before issuance of H Shares, the total number of ordinary shares issued by the Company is 453,073,902 shares.</p> <p>(III) The total number of ordinary shares of the Company is 467,368,802 after the initial offering of H shares by the Company and the exercise of the Over-allotment Option, among which 14,012,500 shares are newly issued, 282,400 shares are over-allocated, 296,516,495 domestic stock shares, and 42 Shareholders (including Deng Hongjiu) convert 296,516,495 domestic unlisted shares they held in the Company into overseas listed foreign shares.</p>	<p>Article 18 As approved by the examination and approval department authorized by the State Council, the total number of ordinary shares issued by the Company is 1,447,554,208. Among others:</p> <p>(I) The Company issued a total of 5,000,000 shares to the two promoters, Deng Hongjiu and Jiang Zongying, at the time of its establishment.</p> <p>(II) After the establishment of the Company, the Company has undergone a second capital increase, and capitalization of the capital reserve. As at the date before issuance of H Shares, the total number of ordinary shares issued by the Company is 453,073,902 shares.</p> <p>(III) The total number of ordinary shares of the Company is 467,368,802 after the initial offering of H shares by the Company and the exercise of the Over-allotment Option, among which 14,012,500 shares are newly issued, 282,400 shares are over-allocated, 296,516,495 domestic stock shares, and 42 Shareholders (including Deng Hongjiu) convert 296,516,495 domestic unlisted shares they held in the Company into overseas listed foreign shares.</p>

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No.	Existing Articles	Amended Articles
	<p>(IV) The total number of ordinary shares of the Company was 1,417,066,406 after a capitalization of capital reserve and an issuance of new H shares under the general mandate.</p> <p>The Company's share capital structure is as follows: the total number of ordinary shares is 1,417,066,406, of which 469,672,221 domestic shares account for 33.14% of the Company's total shares; 947,394,185 H shares (including 889,549,485 H shares converted from domestic unlisted shares), accounting for 66.86% of the Company's total shares.</p>	<p>(IV) The total number of ordinary shares of the Company was 1,447,554,208 after a capitalization of capital reserve, an issuance of new H shares under the general mandate and an issuance of unlisted domestic shares under the specific mandate.</p> <p>The Company's share capital structure is as follows: the total number of ordinary shares is 1,447,554,208, of which 500,160,023 domestic shares account for 34.55% of the Company's total shares; 947,394,185 H shares (including 889,549,485 H shares converted from domestic unlisted shares), accounting for 65.45% of the Company's total shares.</p>

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At the same time, the Board has proposed to the general meeting to further authorize the Board to authorize specific persons (unless otherwise authorized by the Board, such persons are the secretary to the Board of the Company and Mr. Lv Zongjie) to consider and approve at the general meeting individually or jointly, and increase the registered capital of the Company according to the results of the Issuance upon completion of the Issuance, and go through the relevant approval procedures with the regulatory authorities and the relevant registration and filing procedures with the market supervision and administration authorities (including application for change of registration matters of the Company and renewal of business license, etc.).

The amendments to the Articles of Association are subject to the approval by the general meeting and shareholders' class meetings of the Company of the relevant authorization for the Issuance and shall take effect from the date of completion of the Issuance. Prior to that, the existing Articles of Association of the Company shall remain valid.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Name of Directors/ Supervisor/ chief executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
Mr. Deng Hongjiu ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	264,444,426	56.30%	18.66%
	Interest of spouse	Domestic Shares	64,089,975	13.65%	4.52%
	Beneficial owner	H Shares	113,333,322	11.96%	8.00%
	Interest of spouse	H Shares	64,089,975	6.76%	4.52%
	Interest in controlled corporation	H Shares	38,515,050	4.07%	2.72%
Ms. Jiang Zongying ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	64,089,975	13.65%	4.52%
	Interest of spouse	Domestic Shares	264,444,426	56.30%	18.66%
	Beneficial owner	H Shares	64,089,975	6.76%	4.52%
	Interest of spouse	H Shares	113,333,322	11.96%	8.00%

Name of Directors/ Supervisor/ chief executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
Mr. Peng He	Beneficial owner	Domestic Shares	2,515,500	0.54%	0.18%
	Beneficial owner	H Shares	2,515,500	0.27%	0.18%
Mr. Yang Junwen ⁽⁴⁾	Beneficial owner	Domestic Shares	1,462,500	0.31%	0.10%
	Beneficial owner	H Shares	1,462,500	0.15%	0.10%
	Interest of spouse	Domestic Shares	292,500	0.06%	0.02%
	Interest of spouse	H Shares	292,500	0.03%	0.02%
Ms. Tan Bo	Beneficial owner	Domestic Shares	1,462,500	0.31%	0.10%
	Beneficial owner	H Shares	1,462,500	0.15%	0.10%
Ms. Yu Lixia	Beneficial owner	Domestic Shares	760,500	0.16%	0.05%
	Beneficial owner	H Shares	760,500	0.08%	0.05%

Notes:

- As at the Latest Practicable Date, the Company had 1,402,106,406 issued Shares, comprising 469,672,221 Domestic Shares and 947,394,185 H Shares.
- As at the Latest Practicable Date, Mr. Deng was the sole general partner of each of Chongqing Heli and Chongqing Hezhong, the Employee Incentive Platforms. Chongqing Heli was held as to approximately 25.06% by Mr. Deng and Chongqing Hezhong was held as to approximately 8.44% by Mr. Deng, respectively. As such, Mr. Deng was deemed to be interested in the 38,515,050 H Shares held by Chongqing Heli and Chongqing Hezhong under the SFO. Ms. Jiang is the spouse of Mr. Deng and therefore, each of Ms. Jiang and Mr. Deng was deemed to be interested in the Shares held by each other under the SFO.
- Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Therefore, Mr. Deng was deemed to be interested in the Shares and voting rights held by each of Mr. Deng Haoji and Ms. Deng Haoyu under the SFO.
- Mr. Yang Junwen is the spouse of our Shareholder Ms. Yu Wenli. Under the SFO, each of Ms. Yu Wenli and Mr. Yang Junwen is deemed to be interested in the Shares that the other person is interested in.
- All interests stated above are long positions.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had or were deemed to have any interests or short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong 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 were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as the Directors and the Company are aware, as at the Latest Practicable Date, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective class of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ⁽²⁾	Beneficial owner	H Shares	108,737,739	11.48%	7.67%
Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Taobao China Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%

Name of Shareholders	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
Taobao Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Alibaba Group Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
China Agricultural Reclamation Industry Development Fund (Limited Partnership) ⁽³⁾	Beneficial owner	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%
Zhaoken Capital Management (Beijing) Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%
Beidahuang Investment Holding Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%
Shenzhen Zhaorong Agricultural Management Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%
China Merchants Steamship Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%
China Merchants Group Limited	Interest in controlled corporation	Domestic Shares H Shares	17,903,619 71,614,476	3.81% 7.56%	1.26% 5.05%

APPENDIX II
GENERAL INFORMATION

Name of Shareholders	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares⁽¹⁾	Approximate percentage in relevant class of Shares⁽¹⁾	Approximate percentage in total share capital⁽¹⁾
Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) ⁽⁴⁾	Beneficial owner	H Shares	54,899,649	5.79%	3.87%
Chongqing Industry Guidance Equity Investment Fund Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	H Shares	63,851,454	6.74%	4.51%
Chongqing Yibainian Equity Investment Fund Management Co., Ltd.	Interest in controlled corporation	H Shares	54,899,649	5.79%	3.87%
Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership)	Interest in controlled corporation	H Shares	54,899,649	5.79%	3.87%
Suzhou Zhilan Equity Investment Center (Limited Partnership) ⁽⁵⁾	Beneficial owner	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%

Name of Shareholders	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares ⁽¹⁾	Approximate percentage in total share capital ⁽¹⁾
Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%
Suzhou Junyi Equity Investments Center (Limited Partnership) ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%
CMC II (Shanghai) Equity Investment Center (Limited Partnership) ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%
CMC (Shanghai) Equity Investment Management Co., Ltd. ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%
Mr. Li Ruigang ⁽⁵⁾	Interest in controlled corporation	Domestic Shares	14,721,612	3.13%	1.04%
		H Shares	58,886,445	6.22%	4.16%

Notes:

1. As at the Latest Practicable Date, the Company had 1,402,106,406 issued Shares, comprising 469,672,221 Domestic Shares and 947,394,185 H Shares.
2. As at the Latest Practicable Date, Alibaba (China) Network Technology Co., Ltd. was held by Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. as to approximately 57.59% and 35.75% respectively. Each of Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. was a wholly-owned subsidiary of Taobao China Holding Limited, which was in turn wholly-owned by Taobao Holding Limited. Taobao Holding Limited was a wholly-owned subsidiary of Alibaba Group Holding Limited. As such, each of Taobao (China) Software Co., Ltd., Zhejiang Tmall Technology Co., Ltd., Taobao China Holding Limited, Taobao Holding Limited and Alibaba Group Holding Limited was deemed to be interested in the 108,737,739 H Shares held by Alibaba (China) Network Technology Co., Ltd. under the SFO.
3. As at the Latest Practicable Date, the general partner of China Agricultural was Zhaoken Capital Management (Beijing) Co., Ltd., which was in turn wholly-owned by Shenzhen Zhaorong Agricultural Management Co., Ltd. Shenzhen Zhaorong Agricultural Management Co., Ltd. was wholly-owned by Shenzhen Zhaorong Investment Holding Co., Ltd., a wholly-owned subsidiary of Merchants Steamship. Merchants Steamship was wholly-owned by China Merchants Group Limited. In addition, Beidahuang Investment Holding Co., Ltd. was a limited partner of China Agricultural which holds approximately 39.97% of interest in China Agricultural. As such, each of Zhaoken Capital Management (Beijing) Co., Ltd., Beidahuang Investment Holding Co., Ltd., Shenzhen Zhaorong Agricultural Management Co., Ltd., Shenzhen Zhaorong Investment Holding Co., Ltd., China Merchants Steamship Co., Ltd. and China Merchants Group Limited was deemed to be interested in the 17,903,619 Domestic Shares and 71,614,476 H Shares held by China Agricultural Reclamation Industry Development Fund (Limited Partnership) under the SFO.
4. As at the Latest Practicable Date, Chongqing Yeruhongtu Innovation Equity Investment Fund Partnership (Limited Partnership) and Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) were held by Chongqing Industry Guidance Equity Investment Fund Co., Ltd. as to approximately 24.75% and 49.34% respectively. In addition, Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership) held 41.12% interests in Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership), which was held by Chongqing Yibainian Equity Investment Fund Management Co., Ltd. as to 1.32%. As such, each of Chongqing Industry Guidance Equity Investment Fund Co., Ltd., Chongqing Yibainian Equity Investment Fund Management Co., Ltd. and Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership) was deemed to be interested in the 63,851,454 H Shares held by Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) under the SFO.
5. As at the Latest Practicable Date, Suzhou Zhilan Equity Investment Center (Limited Partnership), Suzhou Junyi Equity Investments Center (Limited Partnership), Suzhou CMC Industry II Equity Investment Center (Limited Partnership) and CMC II (Shanghai) Equity Investment Center (Limited Partnership) were controlled by Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) as their respective general partner, which was in turn controlled by CMC (Shanghai) Equity Investment Management Co., Ltd. as its general partner. CMC (Shanghai) Equity Investment Management Co., Ltd. was held by Mr. Li Ruigang as to approximately 99%. As such, each of Shanghai CMC Industry Equity Investment Management Center (Limited Partnership), Suzhou Junyi Equity Investments Center (Limited Partnership), CMC II (Shanghai) Equity Investment Center (Limited Partnership), CMC (Shanghai) Equity Investment Management Co., Ltd. and Mr. Li Ruigang was deemed to be interested in the 14,721,612 Domestic Shares and 58,886,445 H Shares held by Suzhou Zhilan Equity Investment Center (Limited Partnership) under the SFO.
6. All interests stated above are long positions.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the Company were not aware of any other person (other than the Directors or Supervisors or chief executive of the Company) owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

4. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best knowledge of the directors, the following Directors held directorship or were employees of another company, which has an interest in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Position in the entity which fell to be disclosable in accordance with the provisions of Divisions 2 and 3 of Part XV of the SFO
Mr. Xia Bei	an investment director of CMC (Shanghai) Equity Investment Management Co., Ltd.

5. SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company, particulars of which primarily include: (1) the term of office shall commence on the date of appointment and end on the date of the expiry of the term of the present Board of Directors/Supervisory Committee; and (2) the contract can be terminated in accordance with the terms thereof.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and Supervisors have or are proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL ADVERSE CHANGE

The Directors confirm that there had been no material adverse change in the financial or trading position of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to the Latest Practicable Date.

7. COMPETING BUSINESS

Set out below are interests of Mr. Chen Tongtong (“**Mr. Chen**”), a non-executive Director, in businesses which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as of the Latest Practicable Date.

Name of Director	Name of Company	Position
Mr. Chen	Shanghai Fengyun Internet Technology Co., Ltd. (上海蜂耘網絡科技有限公司) (“ Shanghai Fengyun ”)	Legal representative, executive director and general manager
	Shanghai Vegetable Supermarket Co., Ltd. (上海菜菜超市有限公司) (“ Shanghai Vegetable Supermarket ”)	Legal representative, executive director and general manager

Shanghai Fengyun serves the construction of Alibaba Group Holding Limited (“**Alibaba Group**”) fresh fruit supply system by establishing an end-to-end supply chain of fresh fruits from the place of origin to the place of sale, while Shanghai Vegetable Supermarket engages in community group buying business and its main customers are end consumers (collectively, the “**Relevant Businesses**”). The Directors are of the view that there is neither any substantial competition between the business of our Company and the Relevant Businesses, nor any material conflict of interests arising from Mr. Chen’s position in Shanghai Fengyun or Shanghai Vegetable Supermarket for the following reasons:

- (i) ***Different emphasis on business models and target customers.*** The business model of each of the Relevant Businesses has different emphasis from that of our Group in terms of, among others, business model, target customers and operational structure. We focus on the entire industry supply chain operations for quality fruits from China, Thailand and Vietnam. We have established an extensive sales and distribution network nationwide to reach customers of different demographics. As at the Latest Practicable Date, we had 22 sales branches and 60 sorting centers across China. Such sales branches function as frontline sales grids covering 300 cities. We strategically locate our sales branches in local wholesale fruit markets to maximize their service radius.

However, Shanghai Fengyun is a member of the agricultural digitalization business segment of Alibaba Group which primarily serves the internal supply chain channel of Alibaba Group and its subsidiaries. Our sales to entities controlled by Alibaba Group only accounted for 2.17% of our total revenue for the year ended December 31, 2022. Meanwhile, Shanghai Vegetable Supermarket is a member of Taocaicai of Alibaba Group, which primarily focuses on community group buying business and its target and major customers are end consumers.

- (ii) ***No material conflict of interest.*** Mr. Chen is an executive director and general manager of each of Shanghai Fengyun and Shanghai Vegetable Supermarket. He is a non-executive Director of our Company, primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board. Mr. Chen is not involved in the day-to-day management of the operations of our Group and is also aware of his fiduciary duties as a Director which require, among other things, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of Mr. Chen’s positions held in the Relevant Businesses, Mr. Chen shall abstain from voting on any resolutions of our Board approving any contract or arrangement or any other proposal in which he has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in any business which competes or is likely to compete with the business of the Group, either directly or indirectly, or any other conflicts of interest with the Group.

8. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the date of this circular:

- (a) none of the Directors or Supervisors was materially interested in any subsisting contract or arrangement, which was significant in relation to the business of the Group; and
- (b) so far as the Directors are aware, none of the Directors or Supervisors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

10. EXPERT

The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated May 16, 2023 (as set out on pages 10 to 26 of this circular) and references to its name, in the form and context in which it respectively appears.

As at the Latest Practicable Date, Gram Capital:

- (i) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group; or

- (ii) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e., December 31, 2022), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hjfruit.com>) for a period of 14 days from the date of this circular:

- (a) the Share Subscription Agreement;
- (b) the written consent referred to in the paragraph headed “10. EXPERT” in this appendix;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 9 in this circular; and
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 10 to 26 in this circular.

12. MISCELLANEOUS

- (a) The registered office of the Company is at 509-36 Industry Incubator Building, Baiyan Group of Chengnan Residential Committee, Nanbin Town, Shizhu Tujia Autonomous County, Chongqing, PRC.
- (b) The joint company secretaries of the Company are Ms. Deng Haoyu and Ms. Lai Siu Kuen.
- (c) The principal place of business of the Company in the PRC is 22/F, Block B, CREG Fenghui, Donghu South Road, Yubei District, Chongqing, PRC.
- (d) The principal place of business of the Company in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (e) The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.