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

SOURCES OF THE INDUSTRY INFORMATION

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

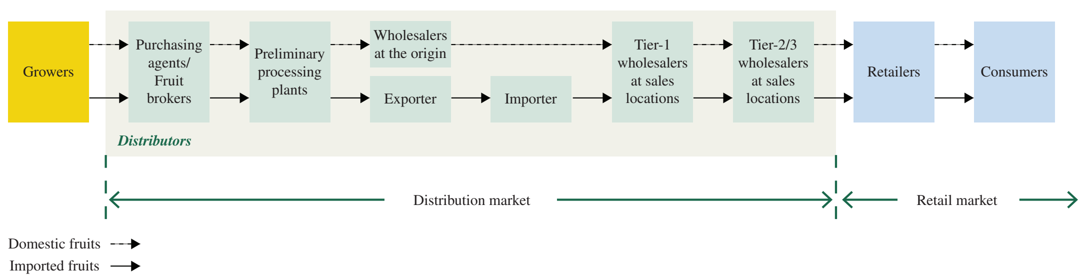
CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics,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

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

CHINA'S FRESH FRUIT VALUE CHAIN

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

Overview of China's fresh fruit value chain, 2021



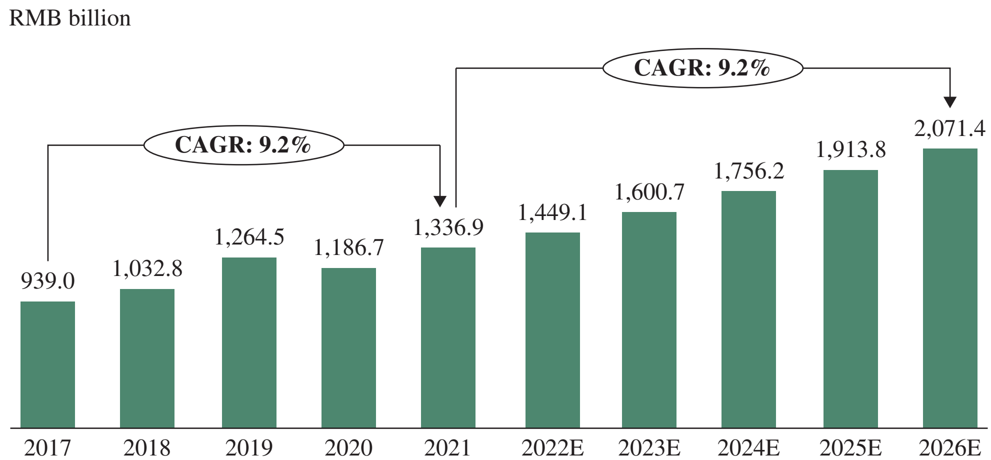
Source: CIC

OVERVIEW OF CHINA'S FRESH FRUIT RETAIL MARKET

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

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

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



Notes:

(1) Extreme weather events including late spring frost and hailstones in China caused price increase for several domestic fruits and resulted in an enhanced market size in 2019.

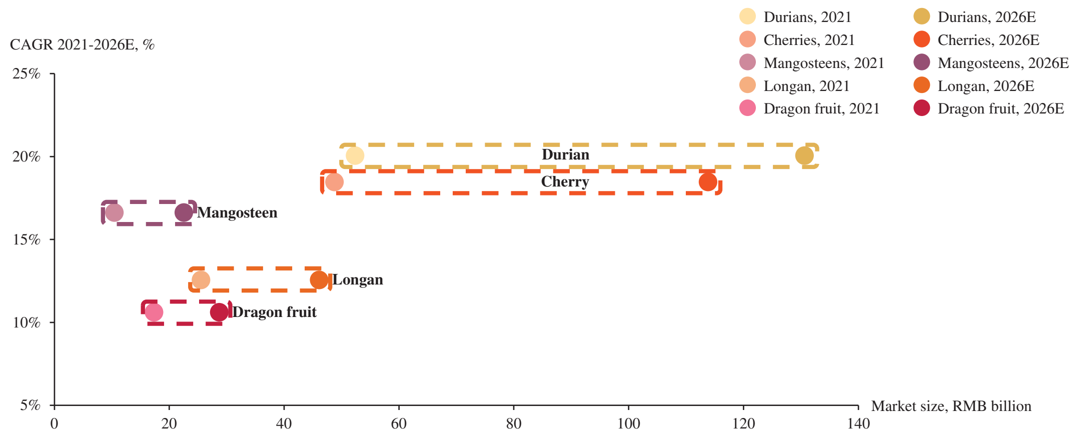
(2) The overall market size of fresh fruit market in China by retail value declined in 2020 primarily because the decline of the market size of domestic fresh fruits, which decreased from RMB1,136.2 billion in 2019 to RMB1,050.0 billion in 2020, while the market size of imported fresh fruits by retail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

Source: CIC

Drivers and Trends in the Fresh Fruit Retail Industry

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

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

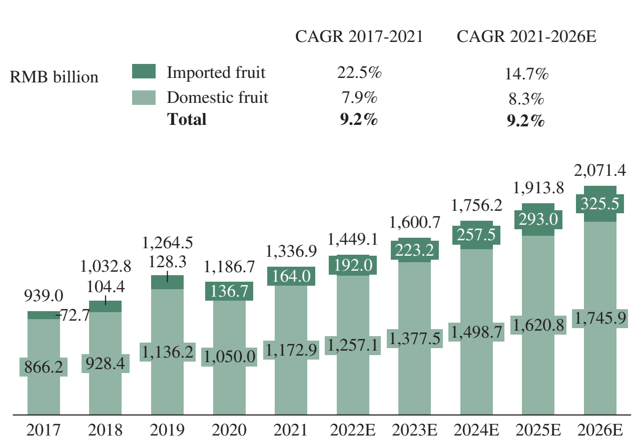


Source: CIC

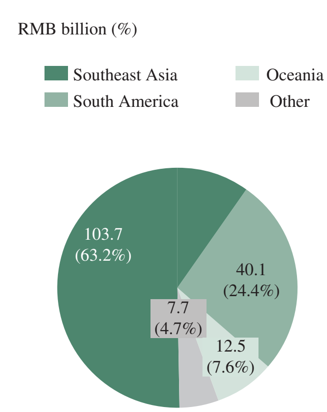
Increasing imports of fresh fruits. Imported fruits are becoming increasingly popular among consumers in China in recent years thanks to their taste, diversity in categories and out-of-season availability compared with those produced in China, leading to a rapid market expansion in recent years. The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

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

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



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



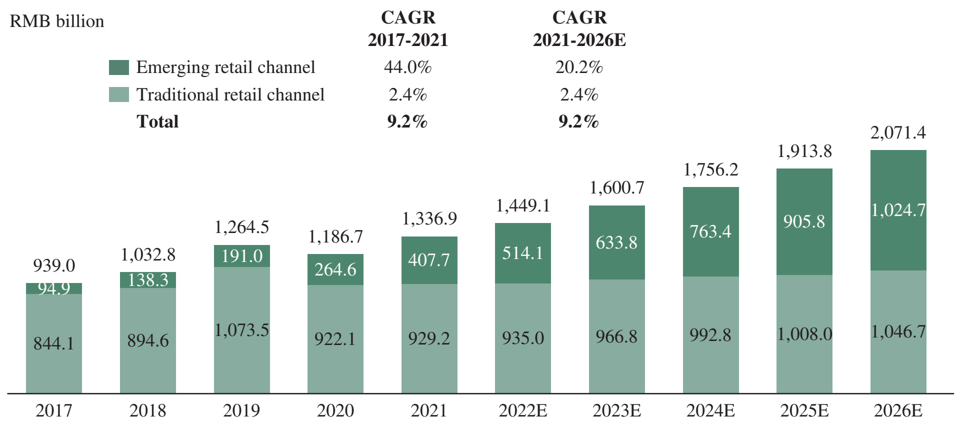
Note: Others include Europe, Africa, North America, and Asia excluding Southeast Asia.

Source: CIC

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

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

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



Notes:

(1) Emerging retail channel primarily includes community group buying, community-based fresh-food chain stores, on-demand e-commerce, and comprehensive e-commerce.

(2) Traditional retail channel primarily includes supermarkets, mom-and-pop stores and wet markets.

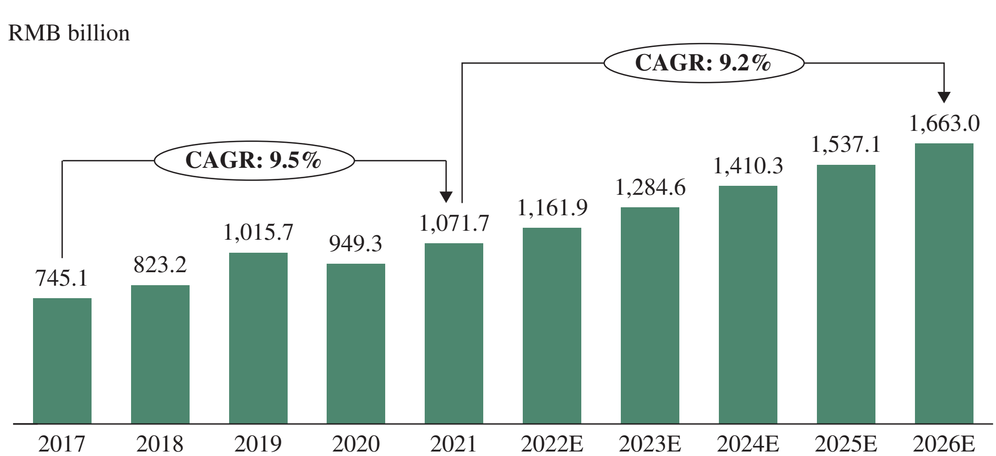
Source: CIC

OVERVIEW OF CHINA'S FRESH FRUIT DISTRIBUTION MARKET

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

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

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



Source: CIC

Challenges in the Fresh Fruit Distribution Market

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

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

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

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

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

Drivers and Trends in the Fresh Fruit Distribution Market

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

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

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

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

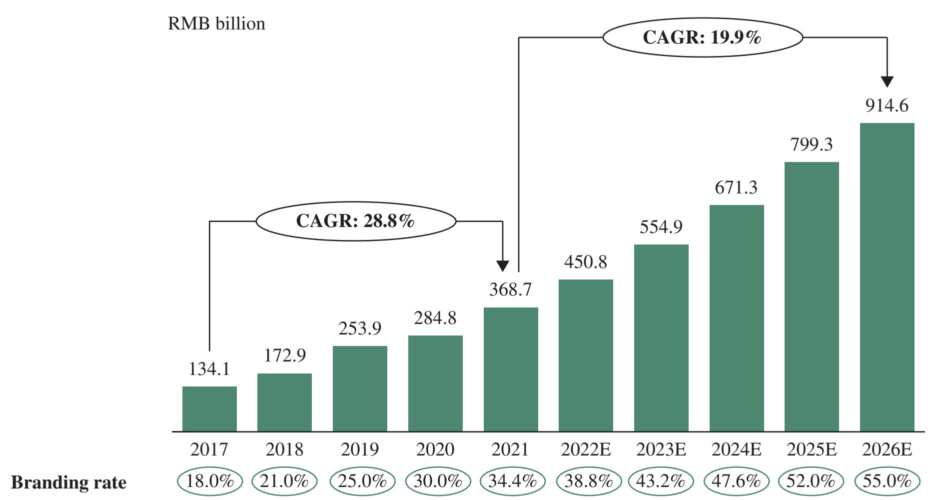
OVERVIEW OF CHINA'S BRANDED FRESH FRUIT DISTRIBUTION MARKET

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

Market Size of Branded Fresh Fruit Distribution and Future Growth Potential

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

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



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

Source: CIC

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

Challenges for Fresh Fruit Distributors to Build Fruit Brands

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

Competitive Advantages by Fresh Fruit Distributors with Established Brands

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

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

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

COMPETITIVE LANDSCAPE OF CHINA'S FRESH FRUIT DISTRIBUTION INDUSTRY

China's fresh fruit distribution market remains highly fragmented. The top five players only accounted for less than 5% of the market share by sales revenue of fresh fruits in 2021. According to CIC, we were China's second largest fresh fruit distributor by sales revenue in 2021 with a market share increased from 0.6% in 2020 to 1.0% in 2021, and sales revenue increased by 78.1% from 2020 to 2021, greatly outpacing the other top five players and becoming the fastest-growing player with a distinctive end-to-end supply chain management capacity and a successful assortment of distinguished core fruit products. We were also the largest durian distributor with a market share of 8.3% by sales revenue in China in 2021. In addition, we were also a top five fruit distributor of mangosteen, dragon fruit and longan in

China, with a market share of 2.2%, 6.1% and 2.8% by sales revenue, respectively. On the other hand, we were an early mover in establishing fruit brands in China and have carried all of our core fruit products under self-owned brands. Leading players who are able to effectively integrate the value chain and build brands are expected to gain a higher market share in the years ahead. The following table illustrates the market shares of top five fresh fruit distributors in China in 2020 and 2021 in terms of sales revenue.

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

Notes:

(1) Company A refers to Joy Wing Mau Fruit Technologies Corporation Limited, a China-based private-owned company supplying various fruit categories. It has a nationwide distribution network and maintains an extensive fruit product portfolio that has a distinctive focus on kiwi, blueberries, cherry, apple, etc. It owns orchards for certain fruit products and may acquire them in their places of origin through direct collaboration with orchards.

(2) Company B refers to Goodfarmer Foods Holding (Group) Co., Ltd., a China-based private-owned company supplying fruits and vegetables. It has a nationwide distribution network and maintains an extensive fruit product portfolio that has a distinctive focus on banana, kiwi, dragon fruit, apple, pineapple, etc. It procures core fruit products in the places of origin and from other leading fruit distributors with a big brand name.

(3) Company C refers to Zespri Group Limited, a New Zealand company. Company C penetrates deeply into the places of origin for its core fruit products with direct collaboration with local growers. It has a distinctive fruit product portfolio that specializes in kiwi, and has primarily relied on distributors for sales in China.

(4) Company D refers to Dole plc, a public company listed in the U.S. supplying fruits and vegetables worldwide. Company D penetrates deeply into the places of origin for its core fruit products with farms and growing presence and procures through direct collaboration with growers in the orchards. It maintains an extensive fruit product portfolio that has a distinctive focus on banana, pineapple, orange, etc. and logistics infrastructures in China.

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

- Low level of market concentration: the fresh fruit distribution market in China is highly fragmented, with top five players only accounted for less than 5% of the market share by sales revenue in 2021. However, according to CIC, leading fresh fruit distributors actively accelerated their expansion by means of both organic growth and mergers and acquisitions of small-and medium-sized fresh fruit distributors, in order to scale business operation and realise economies of scale to improve their market position. Subsequently, leading players are expected to gain more market share, resulting in a rise in market concentration, leaving less opportunities for distributors operating on a smaller scale. The market concentration ratio of the top five players in China increased from approximately 2.0% in 2019 to 3.2% in 2021.

- Lack of market integration and end-to-end: fresh fruit distributors in China typically focus on a single segment of the fresh fruit value chain and operate on a small scale. According to CIC, the average sales revenue of fresh fruit distributors in China is approximately RMB3.0 million, with less than 1% of them generating over RMB20.0 million in sales revenue. As such, the demands for fresh fruit distributors with omni-channel distribution networks to cover the end-to-end demands of customers, are growing rapidly. The market is calling for technology-enabled end-to-end supply chain who have the capabilities in provision of stable, high-quality, integrated and end-to-end supply of fruits, as well as processing and sorting capabilities. This leaves a large opportunity for fresh fruit distributors in China to improve overall fruit supply chain efficiency to reduce such redundancies.

- Lack of nationwide distribution network: there are approximately 300,000 fresh fruit distributors of different business scales in China. However, most players are usually regional, making it more difficult for them to scale across regions.

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

Key Factors for Successful Fresh Fruit Distributors

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

- ***Strong procurement and integration capabilities.*** Industry-leading companies can form in-depth collaboration with local orchards and standardize the process of flower induction, fruit thinning, picking, grading and preservation processes. Leading companies can also benefit from a digitalized and vertically integrated supply chain and are able to provide customers with efficient and comprehensive services, including direct sourcing, efficient logistics, and customized solutions. Simultaneously, the integrated supply chain can help fruit distributors cut out redundant intermediaries and lower costs, thereby improving their profitability and competitive advantages.

- ***Extensive sales and distribution network.*** Industry-leading companies with comprehensive sales and distribution networks can dynamically adjust supplies for different channels to effectively capture the latest trends in the industry by meeting diversified customer needs. In addition, fruit distributors with extensive sales channels can maintain large and stable procurement volumes, allowing them to access higher-quality orchard resources with lower procurement costs.

- ***Digital capabilities.*** Industry-leading companies can achieve data-driven operations and decision-making by adopting emerging technologies. For example, the use of IoT and big data analytics can facilitate the management of procurement, distribution, warehousing and sales. Empowered by advanced technologies, leading companies could effectively detect abnormalities in real-time and intervene timely, thereby reducing post-harvest losses, improving efficiency and ensuring product quality.