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## BUSINESS

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### WHO WE ARE

We are a leading integrated services provider to China’s rural population. With a focus on China’s rural market, we empower small-scale farmers and small rural business owners with comprehensive, technology-driven products and services, including rural inclusive credit services, agricultural production services, rural consumer goods and services and rural clean energy services.

Over nearly 30 years, our business has achieved considerable scale by building upon our extensive local service network deeply rooted in China’s rural areas as well as technology-enabled service excellence. As of June 30, 2024, our footprint spanned more than 100,000 villages across approximately 550 counties in 23 provincial-level regions in China, covering a rural population of nearly 200 million. As of the same date, our local service network was comprised of approximately 550 branches across China, with over 7,200 employees in cooperation with approximately 127,000 village-level partners who are close to customers. According to the Frost & Sullivan Report, we were the largest non-traditional financial institution targeting China’s rural market, with a market share of approximately 8.6%, in terms of total loan balance as of December 31, 2023. In terms of GMV in 2023, we were the sixth largest agricultural inputs and equipment e-commerce platform in China, according to the same source.

### OUR SERVICES

Chinese government policy supports “rural revitalization” as a national priority. China had a large rural population of approximately 477 million as of December 31, 2023, and this enormous market remains mostly served by small-scale farmer households and small rural businesses that make up 98% of all rural operating entities, according to the Frost & Sullivan Report. Recent growth in China’s rural economy has outpaced growth in the urban market. But rural customers face pain points that leave their communities underserved. They lack products and services that are tailored to their needs, as well as channels that deliver them effectively. We have identified these unmet demands of rural customers and satisfied them by providing the following four types of services:

- **Rural Inclusive Credit Services:** To address rural customers’ underserved needs for credit, we offer rural inclusive credit services primarily to finance their business operations and purchases of production equipment. These services are specifically designed to address the challenges that rural customers face in obtaining loans from traditional financial institutions and Internet finance platforms.
- **Agricultural Production Services:** To address rural households’ difficulties in adopting agricultural production technology and a lack of tailored agricultural input services, we provide comprehensive agricultural production services to rural customers engaged in crop and livestock production. These technology-powered services make agricultural production more sustainable and efficient, helping small-scale farmers and small rural business owners increase their income.

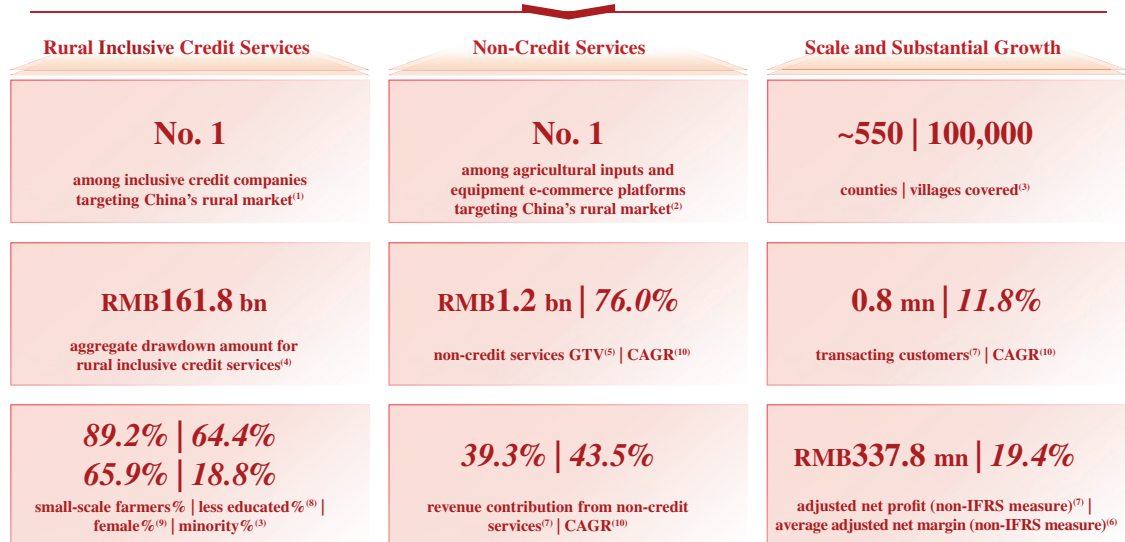
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- Rural Consumer Goods and Services:** To address rural residents’ rising consumption demands and improve their quality of life, we offer consumer goods, services and digital access to insurance policies that are customized to the needs of rural customers.
- Rural Clean Energy Services:** To increase the income of rural residents, we enable rural residents to utilize their vacant rooftops to generate solar power. These services reduce carbon emissions and promote the transition towards clean energy.

We benefit from the synergy across our business segments. According to the Frost & Sullivan Report, rural customers have increasing demands for integrated services encompassing inclusive credit services, agricultural production services and rural consumer goods and services, and consequently, companies that can offer integrated services and have strong cross-selling capabilities will have a strong competitive edge in acquiring customers and enhancing customer engagement. As a leading integrated services provider to China’s rural population, we enhance cross-selling by providing credit solutions to prospective customers of our agricultural production services and rural consumer goods and services segments who have passed credit assessment, to improve the affordability of merchandise with relatively high price by nature. Such customers’ demands for goods and services offered under our agricultural production services and rural consumer goods and services segments enhance their demand for our rural inclusive credit services, and simultaneously, our provision of rural inclusive credit services further facilitates their demands for goods and services offered under our agricultural production services and rural consumer goods and services. As of June 30, 2024, 84.8% of our customers purchasing agricultural inputs and equipment and 71.3% of those purchasing green durables used our credit solutions to finance their purchases. As a result, our diversified product portfolio and our ability to customize products and services enhance our customer loyalty, reduce customer acquisition cost, promote cross-selling and increase the lifetime value of customers.

Strong demand for our services has allowed us to achieve considerable business scale:

### *Deeply Rooted in Rural China for Nearly 30 Years*



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*Notes:*

1. In terms of total loan balance as of December 31, 2023.
2. In terms of GMV for the year ended December 31, 2023. The agricultural inputs and equipment e-commerce platforms that target China’s rural market accounted for approximately 10.6% of the total market size of agricultural inputs and equipment e-commerce platforms in China, in terms of GMV in 2023.
3. As of June 30, 2024.
4. Aggregate amount recorded as of June 30, 2024 since the inception of our rural inclusive credit services.
5. In the six months ended June 30, 2024, non-credit business GTV represents a total value of GMV of agricultural production services, consumer retail services, and gross written premium of insurance policies distributed through our platform in the same period.
6. Average adjusted net margin (non-IFRS measure) of the Track Record Period.
7. In the six months ended June 30, 2024.
8. Percentage of less-educated customers represents percentage of customers with education level of middle school or below.
9. Female Participation Rate, defined as the number of households that obtained credit services with a female member acting as principal borrower or co-borrower, divided by the total number of households that obtained credit services during the same year.
10. From 2021 to 2023.

### OUR TECH-ENABLED APPROACH

Our operating model fully integrates online and offline services in order to meet the unique needs of China’s rural market. Rural areas have low population densities and digitalization rates; their residents are more accustomed to traditional in-person services in close-knit community settings. As a result, a pure-play online platform cannot fully address the demands of rural customers, whereas pure in-person service model may restrain business scalability and sustainability.

We have developed our proprietary decision center that situates at the core of our operating model. Our decision center connects our headquarters with our local service network of over 7,200 employees in cooperation with approximately 127,000 village-level partners who are close to customers. It digitalizes and synchronizes information and learns from operational feedback to expedite decision-making and design standardized, replicable processes that support the efficient expansion of our business. Our decision center leverages digital operating systems that manage and empower our employees and village-level partners to deliver consistent, customized service to our rural customers. It generates real-time insights from interactions with customers to timely identify and address their needs and designs new products and services, enabling us to adapt rapidly to changes in China’s vast rural market, in turn further benefiting our customers and business partners. Our decision center enhances the efficiency and service quality of our local service network, enabling us to serve rural customers more consistently and effectively.

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We strive to achieve profitability while benefiting the society, and to operate sustainably while maintaining customer trust. During the Track Record Period, despite the challenges of the COVID-19 pandemic, our business remained resilient and grew steadily with sustained annual operating profitability while staying true to our values. Our revenue increased by 9.2% from RMB2,223.9 million in 2021 to RMB2,429.2 million in 2022 and further increased by 31.0% to RMB3,181.3 million in 2023. Our revenue also increased by 29.5% from RMB1,482.3 million in the six months ended June 30, 2023 to RMB1,920.0 million in the same period in 2024. Notably, our revenue from non-credit services grew by 94.8% year-over-year from 2022 to 2023, and its contribution to our total revenue increased from 24.5% to 36.4% in 2022 and 2023, respectively. Our revenue from non-credit services further grew by 42.0% from the six months ended June 30, 2023 to the same period in 2024, and its contribution to our total revenue increased from 35.8% to 39.3% in the six months ended June 30, 2023 and 2024, respectively. Due in part to the losses from changes in fair value of redeemable preferred shares, we recorded net losses of RMB36.4 million and RMB199.2 million in 2021 and 2022, respectively; we achieved net profit of RMB206.3 million, RMB279.9 million and RMB79.1 million in 2023, the six months ended June 30, 2023 and 2024, respectively. During the Track Record Period, our adjusted net profit (non-IFRS measure) was RMB506.5 million and RMB472.6 million in 2021 and 2022, respectively, and increased to RMB566.0 million in 2023. Our adjusted net profit (non-IFRS measure) was RMB305.0 million and RMB337.8 million in the six months ended June 30, 2023 and 2024, respectively.

### MARKET OPPORTUNITIES

The enormous Chinese rural market, together with supportive policies from the Chinese government prioritizing rural development, presents us with substantial opportunities to help small-scale farmers, small rural business owners and households increase their income and benefit from advanced technologies.

#### **Enormous Chinese Rural Market**

According to the Frost & Sullivan Report, as of December 31, 2023, the population of China’s permanent rural residents was approximately 477 million, accounting for 33.8% of the total national population, covering more than 2,800 counties (including more than 2,300 agricultural counties), more than 38,000 townships, and more than 450,000 villages. China’s enormous rural market is still served by an immensely diverse mosaic of small-scale operators, with 98% of rural operating entities being small-scale farmer households and small rural businesses.

The Chinese government has prioritized rural development, such as improvement in the income and quality of life of rural residents, as well as expansion of green agriculture and rural industries. Since “rural revitalization” was set as a national strategy in 2017, a series of supportive policies and ancillary measures has been introduced. We believe that these initiatives will further improve farmers’ livelihoods, the agricultural sector and the development of rural areas, thereby driving the modernization and digital transformation of China’s rural market.

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In recent years, the rural economy has shown steady and positive growth, with rural per capita disposable income and per capita consumption spending growing 52% and 98% faster than that of the urban market from 2019 to 2023, respectively. However, rural areas generally have low population density with low Internet penetration rate, making it costly to provide services to rural customers. There is also a lack of channels to directly reach rural customers and a lack of products and services tailored to rural customers. On the other hand, due to limited access to information, lack of familiarity with complex products and reliance on close relationships within local communities, rural customers tend to rely on word of mouth and in-person services when making critical purchasing decisions in production and daily life. As a result, rural customers remain underserved with user-friendly, convenient, and reliable products and services.

- **Rural Inclusive Credit Services:** Rural residents commonly need credit funding to finance their production and operations. According to the Frost & Sullivan Report, the balance of loans obtained through non-traditional financial institutions in China’s rural inclusive credit service market reached RMB2.0 trillion in 2023, accounting for approximately 22% of the total balance of loans in China’s rural inclusive credit service market in the same year. Demand for production and operation loans from non-traditional financial institutions in the rural market is expected to reach RMB2.6 trillion by 2028, with a CAGR of 16.7% from 2024 to 2028. Despite rapid growth in rural inclusive credit services in recent years, rural residents still have underserved needs for credit due to various constraints, such as the small scale of their operations and lack of collateral. Loans obtained through our platform represented 8.6% of the total outstanding loan balance in 2023 from all non-traditional financial institutions targeting China’s rural market, in comparison to the 2.5% market share of the second-largest non-traditional financial institutions targeting China’s rural market in terms of total outstanding loan balance. We believe that we can increase our market share by growing our penetration and coverage to address unmet demands by leveraging our trust-based local service network.
- **Agricultural Production Services:** Over the long term, it is expected that China’s enormous rural market will continue to be served by an immensely diverse mosaic of small-scale operators. According to the Frost & Sullivan Report, 35.2% of ordinary rural households face difficulties with agricultural production technology, yet the proportion that accepts or purchases various types of agricultural production services is only between 0.9% and 6.7%, indicating significant opportunities to provide agricultural inputs and services tailored to small-scale farmers and potential for market growth. GMV of agricultural inputs and equipment sold online to consumers in China’s rural market reached RMB111.8 billion in 2023, and is expected to reach RMB193.3 billion in 2028, with a CAGR of 11.4% from 2024 to 2028. We believe that we can increase our market share by expanding our customer reach and enhancing customer engagement.

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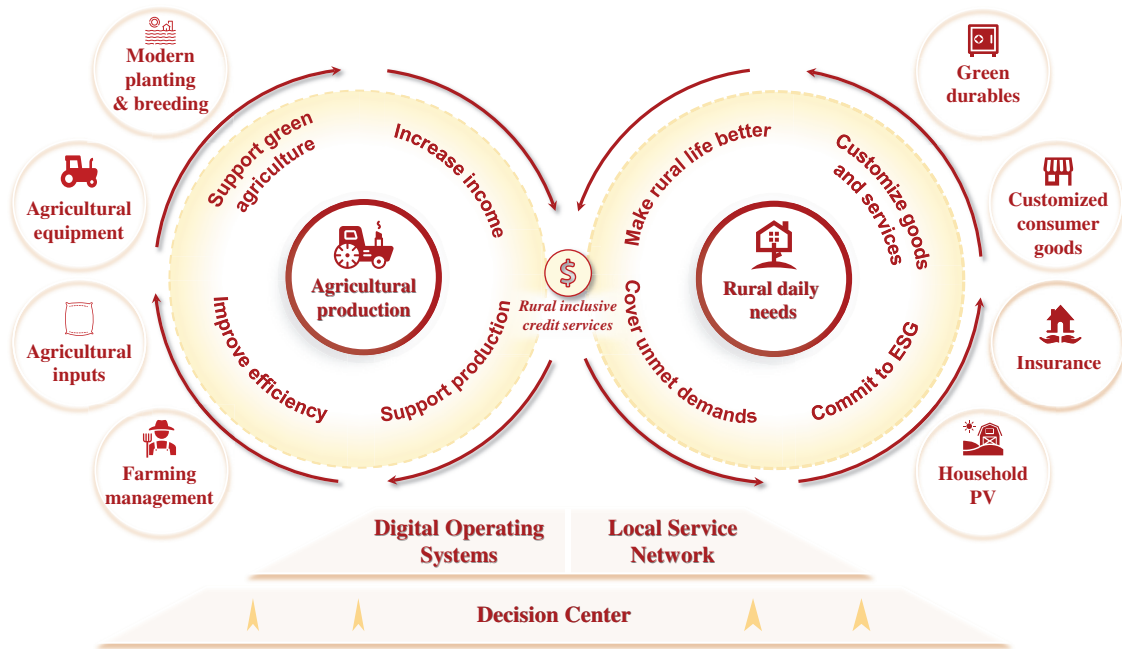
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- **Rural Consumer Goods and Services:** Rising consumption demand among rural residents in China gives rise to substantial market opportunities. According to the Frost & Sullivan Report, the scale of China’s rural consumption market was RMB5.7 trillion in 2023 and is expected to increase to RMB7.7 trillion by 2028, with a CAGR of 6.0% from 2024 to 2028 (which is higher than the CAGR for the urban consumption market for the same period). Specifically, the size of China’s market for rural green durables was RMB476.3 billion in 2023 and is expected to increase to RMB905.8 billion by 2028, with a CAGR of 13.2% from 2024 to 2028. In addition, the penetration rate of rural insurance services is relatively low, indicating significant opportunities for China’s rural insurance industry. The per capita insurance premium of China’s rural insurance market was RMB2,095.6 in 2023 and is expected to reach RMB3,660.5 by 2028, with a CAGR of 11.6% from 2024 to 2028, which is higher than the CAGR of 5.9% for the urban insurance market for the same period.
- **Rural Clean Energy:** The clean energy industry has experienced rapid growth following the introduction of China’s carbon peak and carbon neutrality goals. In particular, rural household distributed photovoltaic (PV), or solar power, projects have become more prevalent as clean energy has been promoted in rural areas and rural residents would like to diversify their sources of income. According to the Frost & Sullivan Report, as of December 31, 2023, the number of households with installed distributed PV systems in China’s rural areas exceeded five million. It is estimated that China’s rural areas have approximately 27.3 billion square meters of rooftop space available for PV installation, covering more than 80 million households, indicating tremendous market opportunities. The rural household PV operation and service market is growing rapidly at a CAGR of 31.3% from 2024 to 2028, with an estimated market size of RMB116.6 billion by 2028.

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### OUR SOLUTIONS

We provide comprehensive, accessible, tailor-made and technology-enabled solutions to rural customers based on our deep understanding of their needs, purchasing behaviors and unique dynamics in China’s vast rural market. We have earned the trust of our customers through decades of operation. We now offer a suite of standardized and bespoke solutions that satisfy the production and daily life needs of rural residents through an agile operating model.



### Rural Inclusive Credit Services

Our rural inclusive credit services address the challenges that rural customers face in obtaining loans from traditional financial institutions, and have enabled customers to get the funding they need. As of June 30, 2024, we had recorded 3.0 million customers who obtained loans through our platform in approximately 7.6 million drawdowns with an aggregate principal amount of RMB161.8 billion since inception of our rural inclusive credit services. In the six months ended June 30, 2024, our customers obtained an aggregate principal amount of RMB14.8 billion loans through our platform, a 23.1% increase from the same period in 2023. The total outstanding balance of such loans was RMB20.2 billion as of June 30, 2024, representing a year-over-year increase of 25.3%, and 89.7% was used for production and operation as of the same date.

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We offer convenient credit products and services that are tailored to the needs of rural customers through our online-and-offline operating model that builds on the strength of our local service network on the ground and trusted brand name. We further enhance the efficiency of our credit services and optimize our product mix leveraging our technological capabilities, such as intelligent business analysis system, intelligent customer profiling and digital marketing. Our ability to offer fast, convenient loans with local diligence and centrally managed risk is critical to our rapid penetration into the rural inclusive credit market. Our dedicated services and business scale have earned the trust of our customers, who tend to become repeat borrowers when they need additional credit. In the six months ended June 30, 2024, 48.3% of customers of our rural inclusive credit services obtained another loan through our platform within 360 days after repaying their previous loan. As of June 30, 2024, 84.8% of our customers purchasing agricultural inputs and equipment and 71.3% of those purchasing green durables used our credit solutions to finance their purchases.

Technology drives the efficient expansion of our business. Leveraging big data, AI-enabled risk management, we provide inclusive credit products to small-scale farmers and small rural business owners to address their funding needs. We have also achieved intelligent management across the lifecycle of our credit business, utilizing information technology innovations such as expert decision-making. We equip our local service network with digital operating system and customer service toolbox that improve the efficiency of each step of the business process, including pre-loan information collection and diligence, loan approval and monitoring, and post-loan management, while reducing risks. As of June 30, 2024, our D30+ and D90+ delinquency rates by balance for loans obtained through our platform were 2.08% and 1.52%, respectively. From the inception of our rural inclusive credit services up to June 30, 2024, the overall cumulative actual credit loss ratio for our rural inclusive credit services was 0.51%, representing an industry-leading level of risk control, according to the Frost & Sullivan Report.

### **Agricultural Production Services**

Small-scale farmers engaged in crop and livestock production tend to rely heavily on personal experience in lieu of scientific planning and implementing available technologies. We empower rural customers to improve their production yield and operational efficiency by offering and advising on agricultural inputs and equipment that help increase their income. Examples of the agricultural inputs we offer are optimized fertilizers that improve soil conditions; examples of the equipment we offer are seed drills, combine harvesters and tractors. We offer technology-enabled agricultural production services across the agricultural value chain, covering pre-production planning, production and post-production phases of crop and livestock production. As of June 30, 2024, the cumulative GMV of our agricultural production services reached RMB4.1 billion since inception of our agricultural production services and we had responded to tens of thousands of technical agricultural questions for rural customers. Since 2022, we have piloted modern agricultural management services to increase production and income to farmers in 116 counties of Hebei, Shandong, Liaoning, Shanxi and Henan Provinces. As of June 30, 2024, we had provided such services to over 79,000 rural customers.



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We also provide solutions for rural customers to procure agricultural inputs and equipment to meet their production needs. We have partnered with a number of leading manufacturers of agricultural inputs and equipment to allow rural customers to lock in prices and supplies during the off-season, coupled with credit options. This approach improves the affordability of agricultural inputs and equipment by restructuring the supply chain. In the six months ended June 30, 2024, the GMV of agricultural inputs and equipment purchased through our platform reached RMB734.3 million, representing a 14.7% increase from the same period in 2023.

We have developed a suite of technology solutions tailored to the local conditions for crop and livestock production by employing full lifecycle production models, image recognition and big data analytics. Our professional, convenient solutions assist farmers with field management and monitoring, agricultural machinery applications and early warning services for disasters and diseases to resolve issues and boost efficiency and yield. We provide functionalities like image-based crop diagnostics, technology-based crop disease analysis and connections to agricultural experts. After harvest, we purchase agricultural products from rural customers and resell them to manufacturers such as feed companies, extending our sales channels across the entire agricultural value chain. We have improved the efficiency of our services by applying big data analytics to agricultural production and fulfillment.

### **Rural Consumer Goods and Services**

We uncover consumption demand of rural residents in their daily life and provide green durables with credit options, tailored consumer products and digital insurance through our technology-empowered rural consumer goods and service platform. Examples of the green durables we offer include air-source heat pumps, which more efficiently heat and cool by transferring heat rather than converting it from fuel, other green home appliances, affordable new energy vehicles and eco-friendly furniture. Our rural consumer goods and services seek to address challenges that rural residents face in their daily life, such as limited access to green durables, lack of product warranties, under-digitalization and minimal risk protection. From 2021 to June 30, 2024, the cumulative GMV of our consumer retail services reached RMB780.0 million. Through collaboration with KOLs in local counties, we are able to reach rural customers more effectively and grow our business more efficiently. As of June 30, 2024, we had partnered with manufacturers and merchants to offer over 8,200 SKUs of consumer goods on our *Xiangzhu* (鄉助) app and mini-program.

Our digital insurance distribution services are designed to protect rural residents against risks of disasters, illness and accidents. We help insurance companies customize small-ticket, accessible and practical insurance policies and services that cater to the actual needs of rural residents, by leveraging our decades of experience in the rural market, knowledge of our customers and analytics capabilities. These insurance policies and services generally differ from those offered to urban residents in terms of average premiums, payout structure and coverage. During the Track Record Period, we partnered with 65 insurance companies to provide access to insurance policies to approximately 1.88 million customers, with a total gross written premium exceeding RMB932.2 million. In the six months ended June 30, 2024, the aggregate gross written premiums of the insurance policies distributed through our insurance platform, *Little Whale* (小鯨向海), amounted to RMB125.7 million.

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### Rural Clean Energy Services

In line with government policies to support of energy saving and carbon reduction, we aim to leverage our extensive rural customer base to help them develop renewable resources, reduce carbon omission while increasing income, and ultimately promote the transition towards clean energy in rural areas.

Household distributed PV power stations are generally in small-scale and dispersed locations, which call for an efficient local service network and strong trust in brand. These are precisely the advantages we possess. Through collaboration with local government and power grid companies, we have explored a set of mature, simple and transparent models to co-develop household distributed PV projects with rural residents.

We have established a full lifecycle digital management system for PV power stations leveraging our advanced technological capabilities, which includes a series of functions, including development management, monitoring, operations and maintenance. We have also built up our post-installation operational and maintenance capabilities, such as real-time alerts and prompt on-site service by dedicated personnel. In June 2023, we entered into a green loan agreement with the Asian Infrastructure Investment Bank, pursuant to which we were granted a loan with a principal amount equivalent to US\$50 million to support our rural household distributed PV projects. In September 2023, we entered into a construction project agreement with certain power grid companies, pursuant to which we agreed to develop PV projects in Liaoning Province and Tianjin with an expected installed capacity of 80 MW and a total contract value of approximately RMB260 million.

### OUR STRENGTHS

#### A Leading Integrated Services Provider Devoted to Empowering Rural Residents

*We are a leading integrated services provider devoted to empowering rural residents.* As of June 30, 2024, our local service network was comprised of approximately 550 branches across China, with over 7,200 employees in cooperation with approximately 127,000 village-level partners who are close to customers. As of the same date, our footprint spanned more than 100,000 villages across approximately 550 counties in 23 provincial-level regions in China, covering a rural population of nearly 200 million. We were the largest among non-traditional financial institutions targeting China’s rural market, in terms of total loan balance as of December 31, 2023, according to the Frost & Sullivan Report. In terms of GMV in 2023, we were the sixth largest agricultural inputs and equipment e-commerce platform in China, and we ranked the first among all agricultural inputs and equipment e-commerce platforms that target China’s rural market, which altogether accounted for approximately 10.6% of the total market size of agricultural inputs and equipment e-commerce platforms in China, according to the same source.

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*Dedicated to serving China’s vast rural market for nearly 30 years, we have accumulated first-hand experience from our online-and-offline operations.* Starting in 1996 as a pilot project jointly established by the State Council and the World Bank, we are one of the organizations with the longest history of serving China’s rural market. Over nearly three decades, we have generated unique insights into the rural market, accumulated experience in serving the rural market, and cultivated close bonds with rural customers. We have established a trust-based local service network that extends our reach to rural areas nationwide across China. We started to develop our operating model in 2017, as we recognized the rapid Internet penetration in China’s rural areas. We have built up our digital capabilities to empower rural businesses and have provided professional, efficient and accessible services to a total of 4.5 million transacting customers in aggregate.

*We focus on serving the unmet demands of rural customers with customized products and services.* We offer tailor-made products and services to rural customers based on our deep insights into the rural market and understanding of the demands of rural customers, especially their unmet demand in finance, digitalization and agricultural technology. As a leading integrated services provider to China’s rural population, we have gradually expanded our business scope from rural inclusive credit services to agricultural production services, rural consumer goods and services and rural clean energy services. On one hand, these products and services are in substantial demand by rural residents. On the other hand, they increase the breadth and depth of our service coverage and allow us to diversify our sales, and to deepen the moat for our business.

*Since our founding, we have navigated through cycles and sustained annual operating profitability with steady growth.* During the Track Record Period, despite the challenges from the COVID-19 pandemic, our business maintained resilient growth and achieved scalable profitability. Our revenue increased by 9.2% from RMB2,223.9 million in 2021 to RMB2,429.2 million in 2022 and further increased by 31.0% to RMB3,181.3 million in 2023. Our revenue also increased by 29.5% from RMB1,482.3 million in the six months ended June 30, 2023 to RMB1,920.0 million in the same period in 2024. Our revenue contribution from non-credit services increased from 24.5% to 36.4% of our total revenue in 2022 and 2023, respectively, and further increased from 35.8% to 39.3% in the six months ended June 30, 2023 and 2024, respectively. Due in part to the losses from changes in fair value of redeemable preferred shares, we recorded net losses of RMB36.4 million and RMB199.2 million in 2021 and 2022, respectively, and we achieved net profit of RMB206.3 million, RMB279.9 million and RMB79.1 million in 2023, the six months ended June 30, 2023 and the same period in 2024, respectively. The adjusted net profit (non-IFRS measure) was RMB506.5 million and RMB472.6 million in 2021 and 2022, respectively, and increased to RMB566.0 million in 2023. Our adjusted net profit (non-IFRS measure) was RMB305.0 million and RMB337.8 million in the six months ended June 30, 2023 and 2024, respectively.

### **Trust-based Local Service Network Extending Our Reach to Rural Areas**

Trust is the cornerstone of local operations, which are essential to the success of rural market participants. Rural residents form closely-knit communities within villages and small towns. They tend to rely on their network of trusted acquaintances as the primary channel for information exchange, especially when they face a plethora of choices but have limited access to information or are unfamiliar with certain products or services, such as financial products.

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*We have established a trust-based local service network that extends our reach to rural areas nationwide across China.* As of June 30, 2024, our local service network was comprised of approximately 550 branches across China, with over 7,200 employees in cooperation with approximately 127,000 village-level partners who are close to customers. The network spans more than 100,000 villages across approximately 550 counties in 23 provincial-level regions in China. The geographic and population coverage of our business place us in a leading position among China’s integrated agricultural service providers that empower rural residents.

- ***Proximity to Rural Customers.*** Most of our local operation teams, which are our employees of local branches, are selected from local residents. To assure proximity to customers, we require that our local operation teams live in the same village or town and our village-level partners live in the same administrative village as their customers. The average age of our local operation teams is 38 and 49.7% are women. They are close in age to local residents and live in the same community. As members of the close-knit communities that they serve, they are also familiar with local customs and traditions. As a result, they can naturally build trust with local residents and learn about their needs.
- ***Service Model Tailored to Rural Customers.*** We formulate tailored, localized marketing plans to empower our local operation teams to better understand and serve their target consumers. We require our local operation teams to provide door-to-door services to rural customers based on farming season and their availability. Through such in-person interaction, our local operation teams are able to build deep customer trust and recommend suitable products and services to them. The local operation teams can identify the needs and resources of rural customers at each visit and track the development of their operations. To tackle the challenge of making deliveries in the last hundred meters of rural China, our local operation teams often serve as dedicated delivery personnel to deliver goods purchased from our online platform to the doorstep of our rural customers through shared truckload.
- ***Empowerment of Local Employees.*** We improve the performance and efficiency of employees in our local service network through a series of online and in-person trainings. By innovatively combining fundamental guidance with on-the-job learning, we empower local employees with professional knowledge, marketing strategies training, and logical analysis of issues. We have also set up provincial-level regional offices, which are led by senior employees with an average tenure of over 11 years who are responsible for day-to-day branch operations, staff recruitment, marketing and promotions. We offer competitive compensation and promotion opportunities for our employees. All these efforts effectively enhance the professionalism and execution capabilities of our local operation teams and village-level partners and provide sufficient incentives, laying a solid foundation for the localized development of our business.

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Leveraging our trust-based local service network, we have outperformed other market players in the rural market by achieving high customer satisfaction and low delinquency rates. According to a customer survey by Frost & Sullivan, 91.5% of rural customers were satisfied or very satisfied with our service level (with 82.0% being very satisfied), 84.9% of rural customers intended to continue using our platform in the future, and 70.8% of rural customers had chosen our credit services primarily because of the in-person service provided by our local operation teams. We have consistently maintained a relatively low delinquency rate as a result of solid customer trust as well as on-site diligence and in-depth customer follow-ups by local operation teams. As of June 30, 2024, our D30+ and D90+ delinquency rates by balance for loans obtained through our platform were 2.08% and 1.52%, respectively. From the inception of our rural inclusive credit services up to June 30, 2024, the overall cumulative actual credit loss ratio for our rural inclusive credit services was 0.51%, representing an industry-leading level of risk control, according to the Frost & Sullivan Report.

### **Agile online-and-offline Operating Model**

We have established an operating model to effectively manage our local service network of over 7,200 employees in cooperation with approximately 127,000 village-level partners scattered across China’s vast rural areas and improve their efficiency. With standardized, replicable processes from our decision center, our operating model empowers our local operation teams to serve more existing customers and acquire new long-tail customers to expand our business. Our operating model is exemplified by our optimized operations, digitalized information and efficient expansion.

- **Optimized Operations.** Our operating model leverages big data analytics and other technologies in our decision center to centrally manage our business and various segments. Our decision center has standardized business processes to serve rural residents, such as selecting branch locations, formulating marketing plans and dividing regional coverage responsibilities.
- **Digitalized Information.** Linked with our local service network, our decision center digitalizes and synchronizes information and learns from data feedback in real time. Cross-selling is enhanced by digital tools that help our local operation teams map customers and follow-up on business opportunities. Digital operating systems and a customer service toolbox empower our local service network to expedite delivery of rural inclusive credit services, including pre-loan information collection and diligence, loan approvals within minutes, as well as post-loan monitoring and management, while reducing risk. We integrate natural language models into business processes to support intelligent identification of various supporting documentation, which significantly reduces the cost of manual input and error rate. We have effectively utilized photo recognition and bank card recognition technologies to accurately and efficiently identify customer information. Applicants of our credit product, Speedy Loan (極速貸), receive credit decisions within three minutes on average after application. Applicants of Inclusive Loans (惠農貸) and Installment Loans (農分期) receive credit decisions within four calendar days and four hours after submitting applications on average, respectively.

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- **Efficient Expansion.** We had established branches in approximately 550 counties across China as of June 30, 2024. Our operating model has allowed us to open new branches faster and at a lower cost, expediting our efficient business expansion. During the Track Record Period, the number of our branches increased from nearly 400 as of January 1, 2021 to approximately 550 as of June 30, 2024. We perform matrix management of our branches based on subdivided regional grids. Standardized, replicable strategies from our decision center and matrix management enable our local operation teams to rapidly acquire new customers. We reach out to users via apps and WeChat mini-programs to improve user experience. We have upgraded mobile network coverage in remote areas at a reduced cost to enable rural customers to access our products and services.

### Decision Center Enabling Smarter Delivery of Our Services

We have developed our proprietary decision center at our dual headquarters in Beijing and Changsha, which is backed by 53 agricultural specialists, 85 risk control experts and 231 technology experts. Our decision center combines and applies technologies to enable smarter delivery of services to the rural market. By digitalizing and synchronizing information from our local service network, it learns from operational feedback, makes faster business decisions and replicates processes to expand our business more efficiently. Our decision center generates insights from customer interactions to address their needs and designs new products and services, enabling us to adapt rapidly to changes in China’s vast rural market, in turn further benefiting our customers and business partners.

***Front-end: We have digitalized our business.*** Our decision center helps process hundreds of thousands of data verifications per month, which saves thousands of hours in manual processing time. Based on real-time data feedback, our decision center promptly adjusts product design and marketing strategies based on changes in customer preferences, resulting in improved business efficiency. During the Track Record Period, our decision center synthesized over 4,600 data and information feedbacks from local operation teams and generated 10,000 rapid iterations of products and strategies.

Our decision center has optimized our comprehensive agriculture management platform from planting to harvest. It leveraged data analytics and modeling to design standardized, replicable technical models for wheat and corn cultivation across their production lifecycle. Our decision center sends real-time reminders to rural customers for field inspections and pesticide applications. It tracks crop and livestock production processes and digitalizes growth information and farming records. Our decision center has also analyzed big data on livestock characteristics to generate production models that accurately predict feed demand and help prevent disease at key stages of livestock development.

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***Middle-end: We have developed digital management tools catering to farmers.*** Our proprietary decision center combines human resources, compensation, finance and risk control functions, including standardized management methods, collaborative remote office, personalized KPI evaluation and real-time alerts to employees for credit risks. It powers digital mentors to deliver guidance to local operation teams in real time through our proprietary marketing system, which effectively enhances their skills. Our decision center includes the proprietary Customer Relationship Management (CRM) system that we developed to accelerate implementation of marketing activities through customer profiling, customer categorization, marketing lab, marketing activity management and customer access functions. Our CRM system analyses marketing logs to suggest follow-up actions for our local operation teams and enables them to visually manage customers with the aid of digital mapping. It also enhances cross-selling through functions like customer tagging, targeted marketing and intelligent recommendations. These digital management tools enable our local operation teams to communicate with existing and potential new customers, maintain long-term relationships, and prompts targeted follow-ups with customers based on their service needs.

***Back-end: We promote the application of technology-powered risk control and data analytics capabilities in rural areas.*** We integrate technologies into various business processes to develop effective tools that increase the value we bring to our ecosystem participants and improve our operating efficiency. We have built a digital risk control system to maintain an industry-leading level of risk control, which leverages big data decision-making models, customer knowledge graphics, third-party data mining and anti-fraud identity verification technologies. We continuously optimize customer profiling and establish uniform admission criteria and rules for risk control purpose in order to safeguard against credit risk. Our technology-powered pest and disease identification system identifies crop diseases and pests with over 90% accuracy, and helps our employees and partner experts to provide individualized consultations on crop production. Building upon industry-leading, open-source foundation models, we refine various models to enhance user interaction experience and improve employee efficiency, including rural inclusive credit services, agricultural and insurance models as well as training models for corporate use. These technologies and applications are crucial to the success of our front-end business.

As of June 30, 2024, we had a team of 231 R&D personnel. During the Track Record Period, we incurred total research and development expenses of RMB318.6 million, which accounted for a higher percentage of total revenue relative to our peers. We deploy core technologies and technological capabilities across various business line, supporting diversified development of our business in a secure and efficient manner.

### **Customized Products and Services Based on Deep Understanding of Rural Market**

With nearly 30 years of experience, we have accumulated deep insights into the needs, purchasing behaviors and unique dynamics in China’s vast rural market. To adapt to the evolving demands of rural customers, we continuously enrich our product and service portfolio. Based on our local service network with extensive access to rural areas, we continue to collaborate with our ecosystem participants, including agricultural service providers, suppliers and insurance companies, to co-develop or customize new agricultural products to better serve the market.

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***We offer customized credit products specifically catering to underserved rural customers.*** Traditional financial institutions and Internet platforms offering inclusive credit lack thorough understanding of rural customers to make effective credit assessments. Rural residents have acute needs for credit that are unmet by traditional financial institutions due to various constraints, such as the small ticket size of their loans, the small scale of their operations and lack of collateral. Inclusive credit platforms also struggle to meet the funding needs of rural customers due to their reliance on online data for credit assessments and tendency to grant rural customers lower credit limits with low approval rates. We have customized financial products for rural residents based on different scenarios. By leveraging AI and big data analytics technologies as well as our extensive local service network, we can effectively conduct due diligence, credit assessment and risk control for rural customers in order to grant a massive volume of small-ticket loans. Many of our rural customers may have little or no credit history which makes it harder for them to get the loans they need. We pioneered a new credit model to extend credit to rural customers to finance their purchases of agricultural inputs and equipment.

***We provide small-scale farmers with cost-effective agricultural inputs and equipment, help them apply agricultural technologies and enhance their expertise in crop and livestock production.*** Even with sufficient funds, small-scale farmers often lack agricultural technologies and reliable suppliers. Before crop and livestock production seasons begin, we customize or co-develop cost-effective solutions for agricultural inputs and equipment with top-tier manufacturers to provide rural customers with quality products. During the crop or livestock production process, we empower rural customers with agricultural technologies. We have developed *Xiangzhu* (鄉助) app and *Xiangxin* (鄉信) system with functionalities like image-based crop diagnostics, technology-assisted crop disease analysis and connections to agricultural experts, to resolve challenges small-scale farmers face in boosting their efficiency and yield. After harvest, we purchase crops from small-scale farmers and resell them to manufacturers such as feed companies, extending our sales channels across the entire agricultural value chain. These special products and services not only expand our customer base and increase customer loyalty, but also effectively stimulate demand for our paid services.

***We identify and satisfy rural residents’ daily needs for value-for-money products and services that are otherwise unmet by existing providers.*** Leveraging our business expertise and understanding of rural customers, we endeavor to meet their specific needs in daily life. We have specifically designed associated credit products to finance rural customers’ purchases of durable goods such as air-source heat pumps and electric two/three-wheelers, as most could not afford to make such purchases with cash alone. Our platform provide to rural customers bulky, heavy and durable consumer goods, which other e-commerce platforms generally do not focus on offering; our local service network delivers such goods to the doorsteps of rural customers, whereas most logistics providers cannot ship them promptly. We also offer customized consumer goods suitable for daily life scenarios of rural customers. In addition, as many insurance providers cannot fully meet the demands of rural customers, we have seized this market opportunity and in some cases, help insurance companies tailor insurance policies to the needs of rural residents.



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Our diversified product portfolio and our ability to customize products and services enhance our customer loyalty, reduce customer acquisition cost, promote cross-selling and increase the lifetime value of customers. As of June 30, 2024, 84.8% of our customers purchasing agricultural inputs and equipment and 71.3% of those purchasing green durables used our credit solutions to finance their purchases. Our revenue contribution from non-credit services increased from 35.8% to 39.3% of our total revenue in the six months ended June 30, 2023 and the same period in 2024, respectively.

### **Innate Environmental, Social and Governance (ESG) DNA**

Since our original founding as a non-profit organization, the pursuit of benefiting rural society has been inherent in our DNA. The philosophy of sustainable development is embedded in our environmental protection, social improvement and corporate governance practices. We apply innovative technologies and adopt a responsible business model. We promote integrated services that support the common prosperity of rural residents.

*We are committed to rural development and benefiting rural residents.* We strive to design services and products that benefit agriculture, rural areas and farmers. We help rural residents bridge the gaps resulting from imbalances of urban and rural areas, wealth and gender, and benefit from advanced technologies. As of June 30, 2024, 89.7% of the balance of the loans obtained through our platform were used for production and operation purposes. We empower rural residents in agricultural production. As of June 30, 2024, we provided modern agricultural management services covering over 1.59 million mu of farmland. We also offer online and in-person agricultural technology services through online platform and agricultural experts. Our technology-powered pest and disease identification system identifies crop diseases and pests with over 90% accuracy, and helps our employees and partner experts to provide individualized consultations on crop production. As of June 30, 2024, we organized over 500 agricultural technology lectures with over 13,000 attendances. In addition, we are committed to workplace diversity. As of June 30, 2024, 48.8% of our employees were female. We create employment opportunities in rural areas and provide our employees with promising career development paths, solid training and comprehensive employee benefits. As of June 30, 2024, over 7,200 of our employees were local rural residents. We actively give back to the communities we serve. We have established the Chongho Charitable Initiative, which strives to support employees, customers and residents in covered areas who suffer from difficulties. Since the beginning of 2017 and up to June 30, 2024, the Chongho Charitable Initiative had offered aid in an aggregate amount of RMB4.0 million to over 2,100 individuals.

*We vigorously promote green agriculture to help rural residents reduce costs and increase yields and facilitate energy saving and carbon reduction in rural areas.* We pay close attention to environmental protection and green development at every stage of our business. For example, we strictly limit credit obtained by industries with high energy consumption, pollution and overproduction. We advance soil improvement, reduce excessive use of fertilizers and pesticides, and promote organic fertilizers instead of chemical ones. We offer customers green durables, such as electric vehicles, and air-source heat pumps and other green home appliances. We promote the use of clean energy through household distributed PV

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projects, which achieved a total installed capacity of 26.1 MW as of June 30, 2024. Our green agriculture technologies help rural residents reduce costs and increase yields, while also facilitating energy saving and carbon reduction in rural areas. According to our experimental results in test fields, our green agricultural technologies can increase crop yields by 7% while reducing the use of chemical fertilizers.

*We have established a governance framework with KPIs and long-term goals, referencing the United Nations Sustainable Development Goals.* We have established ESG policies with reference to international standards to guide our ESG practices in daily operations. Our Board of Directors is responsible for formulating the ESG strategies. We have also formed an ESG advisory committee composed of shareholder representatives and external experts. We integrate ESG philosophy into KPI evaluation by setting KPIs relating to social benefits, risk management and long-term employee development. We continue to optimize the management of our ESG performance to align with our sustainability goals and drive performance improvement. We have also set a sustainability award to recognize teams that actively participate in philanthropic activities, in order to motivate employees to integrate the philosophy of sustainable development into our corporate culture and daily operations.

Due to our efforts in ESG, our social contributions are widely recognized, as evidenced by the following representative awards:

- IFF Global Green Finance Innovation Award (IFF全球綠色金融創新獎) issued by the International Financial Forum (2023)
- Included in “2023 G20 Sustainable Finance Report” Case (《2023年G20可持續金融報告》案例) (2023)
- Chongho Bridge Group Limited Annual Growth Case of “Sustainable Consumption and Production” (“可持續的消費與生產”年度成長案例) by APEC China Business Council (2023)
- “Honorable Mention of Best Bank for Women Entrepreneurs” (最佳服務女性企業主銀行獎提名) by the International Finance Corporation and Global SME Finance Forum (2021)

These honors acknowledge our efforts to achieve rural revitalization and common prosperity in rural areas, and further enhance our market reputation and brand image.

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### **A Mission-Driven Management Team with Strong Execution Capabilities and Renowned Shareholders that Share Our Values**

We are committed to making long-term contributions to society and rural development. With the goal of serving China’s rural residents and the mission of serving the last “hundred meters” of rural China, we have assembled a management team with professional skills and business execution capabilities, forming a transparent and efficient corporate governance structure.

*Our leaders have rich experience in and deep understandings of the “three rural” sector.* Our chairman and CEO, Dr. Liu Dongwen, is an experienced expert in agriculture, farmers and rural areas, which are referred to as the “three rural” sector. Born in the rural area, he served at the China Foundation for Rural Development (中國鄉村發展基金會) (“CFRD”) and has more than 27 years of experience in rural services. Since 1996, with a commitment to exploring an inclusive credit model that is suitable for China’s rural areas, he has introduced and optimized the Grameen Bank model of Bangladesh. Under Dr. Liu’s leadership, we have navigated through the development cycles of rural credit market in China, optimized our governance structure, and developed a commercially sustainable operating model to empower rural residents.

*We have a stable management team who possesses a sense of social responsibility, professionalism and business execution capabilities.* Our senior management team has led the growth of our various businesses and on average has decades of experience in serving China’s rural market. We promote grassroots employees into our regional management teams. The average tenure of provincial-level regional heads was 11 years, with the longest being 20 years. These management teams work together to promote rural development.

*Our diversified, renowned shareholders share our mission and values.* Since our founding in 2008, we have attracted investments from many impact funds such as The Rise Fund under TPG and ABC Impact under Temasek, as well as strong support and assistance from renowned corporate and institutional investors such as Ant Group and OTPP. Our shareholders share our mission and values and provide valuable support to us in strategy, business, technology, finance and other aspects.

### **OUR STRATEGIES**

Since our founding, we have striven to serve the “three rural” sector. We will stick to our original aspiration to empower rural residents and revitalize rural areas by serving small-scale farmers and small rural business owners. We will continue to operate with a view to benefiting rural society. We will strengthen our roots in rural communities, serve rural residents and promote production and consumption in rural areas. We will do this by facilitating access to our comprehensive, technology-driven products and services, improve farmers’ professional skills, quality of life and incomes, and ultimately make significant contributions to the advancement of rural society that make rural life better.

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To achieve this goal, we plan to implement the following strategies:

### **Expand Customer Reach and Enhance Customer Engagement**

We plan to enhance both online and offline services in our operating model, increase the breadth and depth of our coverage in the rural market and attract more rural customers to use our products and services to maintain our leadership and increase our market share in China’s rural areas.

Loans obtained through our platform represented 8.6% of the total outstanding loan balance in 2023 from all non-traditional financial institutions targeting China’s rural market, in comparison to the 2.5% market share of the second-largest non-traditional financial institutions targeting China’s rural market in terms of total outstanding loan balance. We believe that we can increase our market share by leveraging our trust-based local service network. The total GMV of online sales of agricultural inputs and equipment in China’s rural market reached RMB111.8 billion in 2023. As online sales of agricultural inputs and equipment continue to grow, we expect to expand our customer reach and enhance customer engagement.

Our local branches are the first touchpoint for customer acquisition and servicing. We plan to open more branches in new geographic regions across China to cover additional rural customers. We also plan to open new branches in provinces where we already established presence yet with considerable headroom for further expansion; specifically, we plan to deepen our penetration in central-western China where our presence is limited. In our existing markets, we intend to open new local branches, cover more neighboring counties and towns and increase penetration in areas surrounding existing branches by further refining our operations.

Our online platform, *Xiangzhu* (鄉助), is our core service channel. We will continue to promote our *Xiangzhu* (鄉助) platform to rural customers, use it to enhance customer diversity and engagement, improve their access to online marketing and cultivate online shopping habits, thereby increasing our customer conversion ratio and cross-selling. We also plan to enrich our product categories that cater to the demands of the rural market in order to gain more repeat customers. We will also develop new retail channels including short video platforms, live broadcast platforms and others. Through our multi-channel network (MCN), we will cooperate with more rural Internet influencers or livestreaming talents to promote the *Xiangzhu* (鄉助) brand as well as attract potential users and acquire additional users.

### **Further Diversify and Customize Our Products and Services**

Through our local service network, we have diversified and customized our products and services to offer agricultural production services, rural consumer goods and services and rural clean energy services that cater to the demands of rural customers. We plan to collaborate with more reputable business partners in different verticals to further diversify our product and service offerings and customize quality products suitable for rural customers.

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We will further optimize the supply chain of agricultural inputs and products. For instance, we will continue our strategic partnerships with various agricultural service providers and reduce layers of distributors in the agricultural inputs supply chain with an aim to provide our rural customers with good, affordable agricultural inputs tailored to the local soil and crops. We will also rely on our experience providing rural consumer goods and services to create an array of private-label products that are relevant to the market and have development potential in order to diversify and differentiate the products on our platform, enhance our platform’s value and enhance customer loyalty.

We are also continuously seeking new business opportunities in the rural market. For instance, we are promoting household distributed PV projects in rural areas through our engineering, procurement, and construction (EPC) model, piloting rural home-based nursing services and setting up agricultural technology service centers, so as to take advantage of the upcoming rapid-growth era of China’s rural market.

### **Continue to Invest in Research and Development and Strengthen Technological Capabilities**

Technological capabilities are crucial to delivering our current and future services effectively. Leveraging our understanding of the funding needs and consumption habits of rural customers, we integrate information technology innovations such as blockchain and IoT to address pain points of rural customers and help optimize their agricultural production. We have also developed digital products and services tailored to the rural market, such as agricultural technology video consultation, agricultural information management, blockchain traceability for agricultural products, and IoT-powered soil quality monitoring. We will further improve information technology capabilities of rural areas and enhance the value and traceability of agricultural products.

We will continuously optimize our products and business processes to enhance digital capabilities. We seek to enhance our customer risk identification capabilities by collaborating with external partners, and leveraging machine learning algorithms to optimize risk assessment dimensions through joint modelling. We will further enhance our platform through the development of intelligent calling systems, a risk control decision platform and a unified account management system designated for multi-person, multi-product accounts of rural households.

In the future, we will continue to prudently invest in research and development and attract talent in the technology sector so as to enhance our capabilities in the following four areas:

- **Operational support capabilities:** We will leverage back-end technologies to digitalize and synthesize data insights in support of our decision-making and improve operating efficiency. We will continue to develop intelligent technologies, such as debt collection robots, to support our efficient business expansion.

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- **Generating customer insights:** We will further enhance our operating model in order to continue to adapt to the changing needs and preferences of rural customers and further enhance the accuracy of our models predicting their production and consumption behavior.
- **Risk control capabilities:** By utilizing machine learning and other technologies, we will optimize our digitalization and analytics capabilities to further enhance our credit assessment and risk control models and maintain our industry-leading level of risk control.
- **Product innovation capabilities:** We will continue to further refine our *Xiangzhu* (鄉助) platform by investing in innovative tools such as automated user support and personalized recommendations, in order to further improve user experience, enhance our service quality and enable rural customers to apply digital tools and technologies.

### **Continue Recruiting and Retaining Top Talent**

We are committed to recruiting and retaining individuals who are outstanding, creative, honest and passionate about our mission and the rural market. We will recruit experienced and competitive management and R&D personnel for our headquarters, and local agricultural specialists and marketing personnel for our local branches.

We emphasize the importance of our employees’ continuous professional and career development. We have designed professional training programs and career development paths for various types of talent. We seek to cultivate future leaders for the rural market by providing development opportunities and path to promotion for employees at all levels. We will offer competitive salaries and devote substantial resources to develop, train and retain our employees.

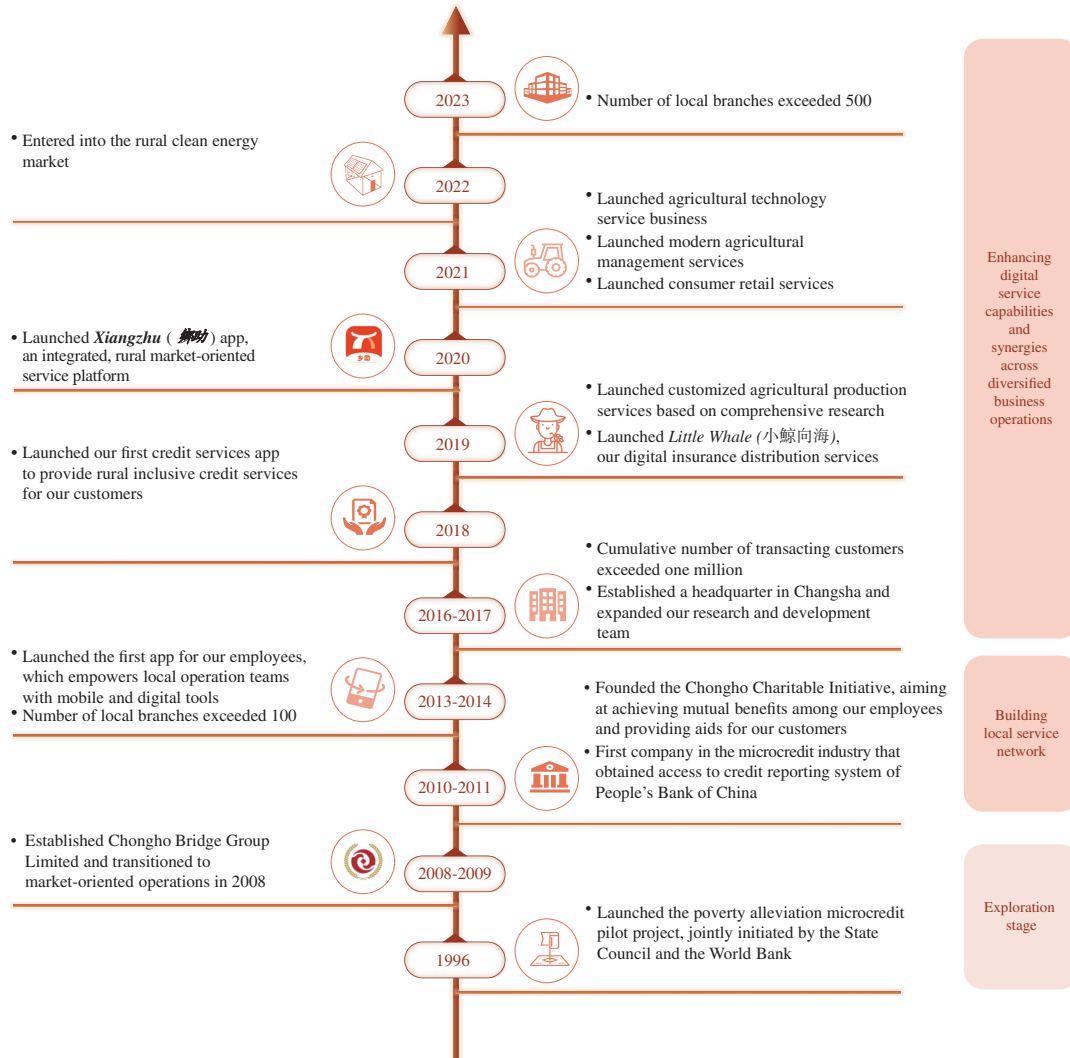
### **Seek Strategic Investments, Partnerships and Acquisition Opportunities**

To maintain our market leadership, we plan to selectively pursue strategic investments, partnerships and acquisition opportunities that complement our business and offerings across the value chain. In the future, when there are suitable targets and appropriate investment opportunities, we will consider acquiring agricultural technology companies or companies in the agricultural supply chain that can generate strong synergies with us.

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### OUR FOOTPRINTS

With our deep insights into China’s rural market and our philosophy of focusing on the needs of rural customers, our development has gone through the following stages:



Originated as a poverty alleviation microcredit pilot project, we have grown into a leading integrated services provider to China’s rural population. We empower small-scale farmers and small rural business owners with comprehensive, technology-driven products and services, including rural inclusive credit services, agricultural production services, rural consumer goods and services and rural clean energy services. We established our principal operating subsidiary, Chongho Bridge Group Limited, and transitioned to market-oriented operations in 2008. In 2019, we acquired a digital insurance distribution service platform, which we later developed into *Little Whale* (小鲸向海), our digital insurance distribution service platform. In 2019, we began to offer customized agricultural production services based on our comprehensive research. We also launched our consumer retail services in 2021, offering value-for-money green durables and customized consumer goods. In 2022, we entered into rural clean energy

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market, where we rent rooftops from rural residents to install PV modules to generate electricity, enabling rural residents to earn additional rental income while facilitating a transition towards clean energy. We are also contracted to provide development, construction and maintenance services to third-party distributed PV projects. To support our development, we have established an extensive, efficient and local service network, which is a crucial attribute of our competitive moat in the market and enables us to address the evolving needs of our customers. We were the largest non-traditional financial institution targeting China’s rural market in terms of total loan balance as of December 31, 2023, according to the Frost & Sullivan Report. In terms of GMV in 2023, we were the sixth largest agricultural inputs and equipment e-commerce platform in China, and we ranked the first among all agricultural inputs and equipment e-commerce platforms that target China’s rural market, which altogether accounted for approximately 10.6% of the total market size of agricultural inputs and equipment e-commerce platforms in China, according to the same source.

### OUR ECOSYSTEM

Through decades of unwavering dedication and commitment, we have established our business operations in rural inclusive credit, agricultural production, rural consumer goods and services and rural clean energy market. Along with our growth, we cultivated an ecosystem that connects the vast yet underserved population of small-scale farmers and small rural business owners in China’s rural areas with financial institutions, manufacturers, merchants and service providers who have been strenuous to identify and satisfy the immense demands for products and services in China’s rural market. The backbone of this ecosystem is our effective and efficient local service network, which comprises our dedicated local operation teams empowered by our purpose-built digital technologies, as well as our *Xiangzhu* (鄉助) platform. Our continuous focus on and investment in China’s rural market have given us a deep understanding of the essential needs of small-scale farmers and small rural business owners, and earned us endorsement of extensive customer trust. Leveraging such in-depth market-specific knowledge and strong local service network, we are well positioned to expand our ecosystem to serve more customers, better fulfill customers’ demands and empower more partners.

#### Ecosystem Participants

The main participants of our ecosystems include small-scale farmers and small rural business owners in China’s rural areas, funding providers, partner banks, partner manufacturers, merchants, service providers, agricultural technology partners and ESG partners.



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### *Our Major Customers: Small-Scale Farmers and Small Rural Business Owners*

We are dedicated to serving small-scale farmers and small rural business owners in China’s rural areas. A majority of our customers are engaged in agricultural production activities in China’s rural areas and most of our customers are underserved by traditional financial institutions, manufactures, merchants and other services providers. We enable them to conveniently fund agricultural production activities and other key demands through our rural inclusive credit services. In addition, we provide our customers with agricultural production services, rural consumer goods and services and rural clean energy services, which cater to various essential production and life needs of our customers and increase their stickiness and engagement on our platform, while enabling our partners, such as financial institutions, manufacturers, merchants and service providers, to participate in and benefit from our ecosystem. As of June 30, 2024, the cumulative number of transacting customers on our platform was 4.51 million, among which 3.0 million used our rural inclusive credit services and 2.7 million used our agricultural production services or rural consumer goods and services.

The following tables set forth the number of our transacting customers and transactions on our platform for the years/periods indicated:

	<b>For the Year Ended December 31,</b>			<b>For the Six Months</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Ended June 30,</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2023</b>	<b>2024</b>
	<i>(in thousands)</i>				
Number of transacting customers <sup>1</sup>	1,089	1,128	1,361	701	813
Number of transactions <sup>2</sup>	2,253	2,393	2,638	1,210	1,929

*Notes:*

- 1 The number of transacting customers for a given period equals to the sum of customers (with duplicate customers removed) who, during such period (i) obtained loans (including principal borrowers and co-borrowers) from us, (ii) purchased agricultural inputs and equipment, modern agricultural management services, or agricultural products from us, and (iii) purchased consumer retail goods (including green durables or other consumer goods) from us, insurance products distributed by us, or other value-added services such as promotion services from us.
- 2 The number of transactions for a given period equals to the sum of transactions completed through us during such period, comprising (i) the number of credit drawdowns by borrowers of rural inclusive credit services through our platform, (ii) the number of completed orders for agricultural inputs and equipment and agricultural products, and the number of completed orders for modern agricultural management services, and (iii) the number of completed orders for consumer retail goods (green durables and other consumer goods), the number of insurance policies distributed by us, and the number of completed orders for other value-added services we provide under rural consumer goods and services business.

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The increase in the number of our transacting customers during the Track Record Period was primarily attributable to (i) the expansion of our geographical coverage, (ii) our efficient operations stemming from our local service network and online engagement, and (iii) synergies generated from an integrated service approach.

### *Funding Providers and Partner Banks*

We cooperate with funding providers and partner banks to better serve rural customers. Through collaboration with various funding providers and partner banks, we are able to offer diversified inclusive credit solutions to our customers.

Our funding providers, such as domestic commercial banks and international financial institutions, address our financing needs by providing funding to us. We have developed strong relationship with our funding providers. Our funding providers make loans to us and are entitled to receive repayment of principal and accrued interests from us. See “Our services—Rural Inclusive Credit Services—Funding.” As of June 30, 2024, we partnered with 21 funding providers, including 11 domestic commercial banks and 10 international financial institutions.

We also collaborate with our partner banks to reach and serve new customers, improve product performance and achieve better economic benefits, as we leverage our local service network entrenched in local communities. We refer to our partner banks qualified credit applications made through our platform that we believe meet their lending criteria. Our partner banks independently review and fund drawdown requests they have approved. They receive repayments of the principal and accrued interests directly from the borrowers. In addition, we collaborate with a trust company to set up trust plans to fund our loans. As of June 30, 2024, we partnered with six partner banks that wholly or partially funded the loans we facilitate. To a lesser extent, we are also exploring the cooperation with other non-bank lending institutions, such as consumer finance company, under the same loan facilitation model.

The table below shows the number of funding providers and partner banks as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
Funding providers	18	19	20	21
Partner banks	7	6	6	6

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### *Partner Manufacturers, Merchants and Service Providers*

We partner with selected manufacturers and merchants to offer agricultural inputs and equipment as well as merchandise, including green durables and customized consumer goods. As of June 30, 2024, we cooperated with 182 manufacturers and merchants to sell products procured from them to our customers. For example, based on our customized agricultural solutions, we partner with manufacturers of agricultural inputs and equipment to provide suitable products to our customers. We also cooperate with manufacturers to offer selected, value-for-money green durables. In addition, we attracted approximately 3,300 manufacturers and merchants to offer products to customers directly through our platform as of the same date. To better serve our customers, we also bring in third-party service providers, such as logistics and warehousing service providers, to complement our ecosystem.

### *Agricultural Technology Partners*

We provide agricultural knowledge-sharing service on our *Xiangzhu* (鄉助) app free of charge, which enables users to consult experts for difficulties encountered in agricultural production and receive prompt reply. We also invite them to answer our users’ questions on our platform in an interactive way and provide on-site technical services to our users. These agricultural experts and technicians we partner with include professors from universities and research institutions and skilled technicians from manufacturers of agricultural inputs and equipment as well as agricultural technology centers. In addition, we strive to collaborate with research institutions and colleges to introduce mature but not yet widely marketed technologies and products and provide systematic trainings to local experts and technicians. We currently cooperate with one renowned agricultural college and have established an agricultural technology research institution to deepen our collaboration with agricultural technology partners. Leveraging our cooperation with agricultural technology partners, we effectively help farmers improve efficiency and yields of agricultural production.

### *Partner Insurance Companies*

For our digital insurance distribution services, we act as an insurance agency to distribute insurance products underwritten by our partner insurance companies, some of which were designed and developed based on insights that we provided. As of June 30, 2024, we partnered with 60 insurance companies for our digital insurance distribution services.

### *ESG Partners*

We partner with nonprofit organizations as well as companies seeking to fulfill their social responsibilities. Through our nationwide network, we distribute relief items entrusted to us by our partner nonprofit organizations to the hands of those in need, and help socially responsible companies to empower the rural communities that we serve. These collaborations effectively enhance rural customers’ trust in and relationships with us.

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### **Our Operating Model**

We adopt an operating model that fully integrates online and offline operations, with decision center at our headquarters making centralized business decisions and formulating standardized business processes, which are implemented by our local service network with extensive reach to rural areas. Such integrated operating model makes us better positioned to empower the rural communities in China as compared to the traditional, or pure-play online or offline players in the rural market, such as traditional financial institutions, Internet finance platforms and e-commerce platforms.

### ***Our proprietary decision center***

Our proprietary decision center situates at the core of our operating model. Our decision center formulates standardized on-the-ground business processes that can be easily adapted and quickly replicated at regional level across our nationwide network. We have central control systems for overall strategy-making, supervision and technology support, supported by 53 agricultural experts, 85 risk control experts and 231 technology experts at the headquarters as of June 30, 2024. Our decision center connects our headquarters with our local service network of thousands of employees and village-level partners. We empower them through technologies to implement our strategies and help us to expand our touch points and effectively improve the coverage and penetration of our services in China’s rural market. For example, our self-developed digital tools, such as customer relationship management (CRM) system and *Xiangxin* (鄉信) system, have enabled our local operation teams and village-level partners to effectively manage customer relationship and serve a wide range of customers.

### ***Our Operating Model***

We adopt an operating model that fully integrates online and offline operations, with a focus on building local insights and trust with our customers.

### ***Our Local Service Network***

We have been serving China’s rural market for nearly 30 years and accumulated deep insights into rural customers’ needs through our local service network entrenched in local communities. Our local service network comprises our ever-growing, local operation teams at county level and village-level partners.

Our local operation teams consist of employees of our local branches. As China’s rural market is essentially grounded on “societies of acquaintances,” we believe it is essential to have local operation teams that are familiar with local markets to get in touch and build trust with local customers. We open up standardized branches in counties where we operate and hire local talents who are close to local residents and have a deep understanding of the habits and demands of local communities. Such market-specific knowledge helps our local operation teams to better identify the needs of local customers, promote our products that cater to their demand, offer after-sales support in a tailored manner, build and enhance relationships with rural customers, and ultimately acquire and retain customers in a cost effective manner.

## BUSINESS

The pictures below illustrate the work of our local operation teams:

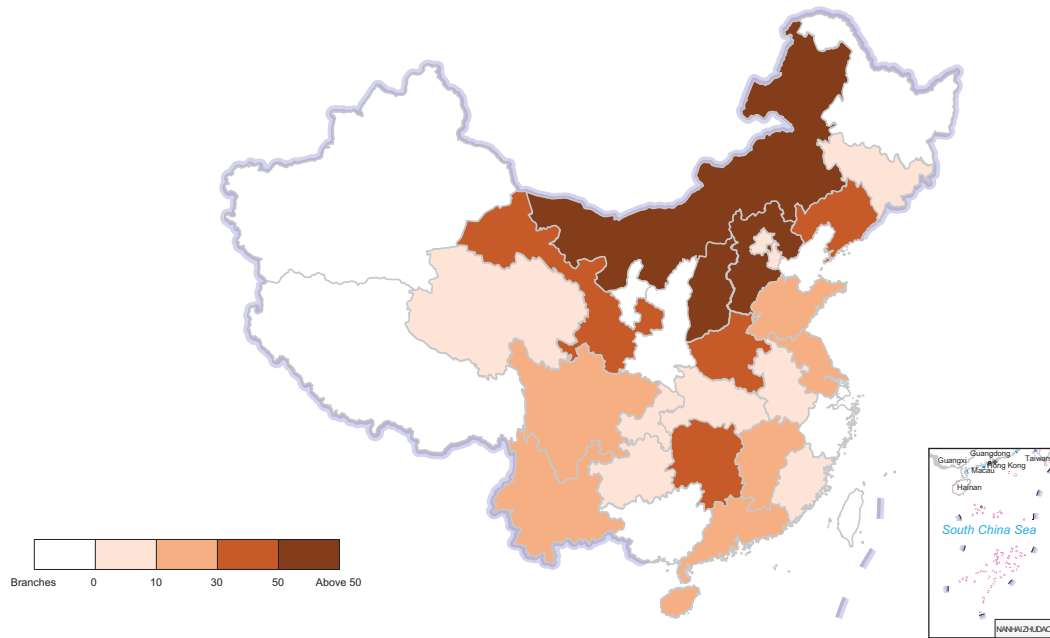


Village-level partners are third party individuals, not our employees. Our local operation teams cooperate with them to refer customers to us and promote our products and services in local markets. These village-level partners are primarily rural residents who generally live in the same communities as our customers and many of them have broad connections and strong social influence in local areas. Based on such connections and social influence, our village-level partners help customers living in the same communities gain better understanding of our service offerings, and also help us enhance our understand of the demand of rural customers. We motivate them with commissions.

As of June 30, 2024, our footprint spanned more than 100,000 villages across more than approximately 550 counties in 23 provincial-level regions in China, covering a rural population of nearly 200 million. As of the same date, our local service network was comprised of approximately 550 branches across China, with over 7,200 employees in cooperation with approximately 127,000 village-level partners who are close to customers. Such local service network is a crucial attribute of our competitive moat in the market and enables us to address the evolving needs of our customers.

Our local operation teams and village-level partners also help us expand into new markets. Our strategy is to gradually open branches in the neighboring areas of our existing markets. When we enter a regional market, we typically set up branches in selected agricultural counties with a population of over 250,000. Within a county, we typically assign one or two members of our local operation teams to each of the townships where we provide services. The highlighted areas of the following map shows the geographical coverage of our local branches and our local service network as of June 30, 2024. As of June 30, 2024, we had relatively greater number of branches in Hebei, Inner Mongolia, Liaoning, Shanxi, Henan, Gansu and Hunan than in other provincial-level regions, generally because we had engaged in operations in such regions for a longer period than in other regions. In the future, we plan to open new branches in provinces where we already established presence yet with considerable headroom for further expansion; specifically, we plan to deepen our penetration in central-western China where our presence is limited. See “—Our Strategies—Expand Customer Reach and Enhance Customer Engagement.”

## BUSINESS



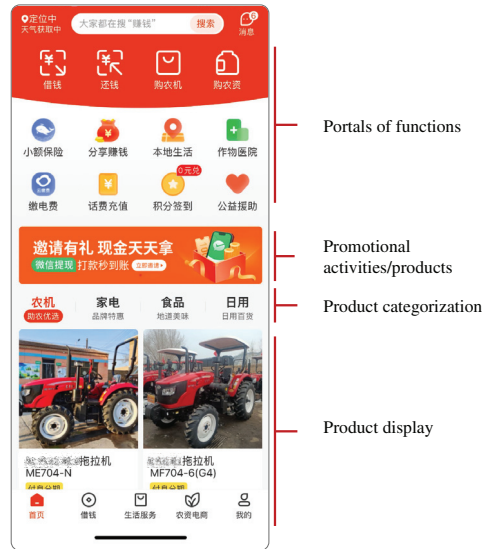
### *Our Online Channels*

We have established an integrated, rural market-oriented service platform, *Xiangzhu* (鄉助), that enables our customers to access all our products and services through mobile app, social media official account and mini-program. In addition, our customers can also access our digital insurance distribution services through *Little Whale* (小鯨向海) platform, including social media official account and mini-program.

Our integrated online platform helps us to effectively attract and retain customers. We offer free value-added services on our platforms which bring real benefits to users and therefore effectively attract new customers and improve customer engagement. For example, our free agricultural knowledge-sharing services enable customers to consult agricultural experts and solve difficulties encountered in agricultural production, enhancing their trust in us and driving demands for our agricultural inputs and equipment and other products and services. We also offer free value-added services such as mobile top-up services. As of June 30, 2024, we had over 10.6 million registered users.

## BUSINESS

The screenshots below illustrate the main offerings on our *Xiangzhu* (乡助) app:



In response to the growing popularity of social media, we also promote our products and services through uploading short videos and livestreaming on social media platforms such as *Douyin* and *Kuaishou*. In particular, through collaboration with KOLs in local counties, we are able to reach rural customers more effectively and grow our business more efficiently.

We establish online and offline channels to better serve the needs of local small-scale farmers and small rural business owners, as set forth below. Please see “—Our Services” for more information.

- *Rural inclusive credit services.*
  - o In the pre-loan application stage, customers can apply our credit products i) online through our *Xiangzhu* (乡助) platform and ii) offline through our local branches, where our customers can drop by and seek assistance for online registration. Our local operation teams also provide in-person support at customers’ doorsteps. Therefore, our credit products are more accessible to customers compared to the products offered by traditional financial institutions.
  - o For credit assessment and post-loan management, our system performs credit assessment based on customers’ basic and financial information, monitor repayment and provides post-loan customer reminding services while our local operation teams conduct on-site due diligence, collect reputational information which help us better assess our customers’ repayment abilities and at the post-loan stage, visit customers in-person to discuss repayment, credit extension and other plans to better meet their credit demands.

## BUSINESS

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- *Agricultural production services.*
  - o Before crop and livestock production, we conduct on-site field research to formulate customized agricultural inputs and equipment solutions and cooperate with selected manufacturers to provide, and in some cases, co-develop suitable agricultural inputs and equipment. We offer such agricultural inputs and equipment online through our *Xiangzhu* (鄉助) platform, where small-scale farmers and small rural business owners can easily browse and make purchases online. Leveraging our extensive service network, we deliver products to customers’ villages or door-steps with the help of our local operation teams.
  - o During crop and livestock production processes, our village-level partners perform on-site field inspection and related farm work on customers’ land, empowered by agricultural experts and technicians who answer their questions promptly online. After harvesting, we source agricultural products from farmers and resell to manufacturers such as feed companies, expanding the sales channels across the agricultural value chain and expanding income sources for farmers.
- *Rural consumer goods and services.*
  - o Consumer retail services: We offer consumer retail services through our *Xiangzhu* (鄉助) platform, where our customers can browse and purchase selected, value-for-money merchandise online. After the purchase, our local operation teams deliver the goods to the customers’ villages or door-steps, including bulky, heavy and durable consumer goods. They can also respond timely when customers need repair, maintenance or return and effectively liaise with manufacturers when needed to facilitate after-sales services.
  - o Digital insurance distribution services: Through our technology-driven *Little Whale* (小鯨向海) platform, we provide our customers access to professional, transparent and convenient insurance services. On the other hand, we hold on-site seminars to educate rural residents benefits of insurances and better help customers prepare claim materials through in-person communication.
- *Rural clean energy services.* With our deep roots in rural communities, we effectively identify proper rural residents to form long-term cooperation and install PV modules on the rooftops that we lease from them. We use proprietary software system that cover the full lifecycle of the PV projects to ensure the quality and efficiency of our services.



## BUSINESS

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Our fully integrated online and offline operating model gives us competitive edges over other e-commerce platforms. Leveraging our extensive operating network spanning more than 100,000 villages across China, our proximity to rural customers makes us better positioned to gain customer insights, effectively identify and fulfill customers’ demands compared with e-commerce platforms lacking offline network. For example, rural households have historically experienced difficulties in adopting agricultural production technology and a lack of tailored agricultural input services. We not only provide suitable agricultural inputs and equipment, but also empower farmers with scientific application methods through our agricultural knowledge-sharing services and engage village-level partners to perform professional and high-quality farm work to help rural residents optimize crop growth, health and yield. This is achieved through an integration of our strong local network and *Xiangzhu* (乡助) platform, which is made possible with our long-time operating history and established trust in rural communities. We also help insurance companies customize small-ticket, accessible and practical insurance policies and services that cater to the actual needs of rural residents, by leveraging our decades of experience in the rural market, knowledge of our customers and analytics capabilities. In addition, agricultural inputs and equipment, as well as some consumer goods are bulky and heavy, which impose logistics difficulties especially to pure-play online e-commerce platforms. With our extensive local operation teams, we deliver such goods to the customers’ villages or door-steps at reduced logistics costs, as our local operation teams make delivery while visiting customers as their work routine. They can also respond timely when customers need repair, maintenance or return and effectively liaise with manufacturers when needed to facilitate after-sales services. Furthermore, while some e-commerce platforms does not offer installment options to rural customers, we provide credit solutions to customers in purchasing agricultural inputs and equipment as well as consumer goods to make such products more affordable. In particular, we have partnered with a number of leading manufacturers of agricultural inputs and equipment to allow rural customers to lock in prices and supplies during the off-season, coupled with credit options, which further improves the affordability of agricultural inputs.

### OUR SERVICES

We offer integrated and inclusive services to rural customers. We address rural customers’ underserved demand for financial services as well as agricultural production, rural consumer goods and services and other aspects. We provide tailor-made credit products that are convenient and fast and a broad range of agricultural production and rural consumer goods and services, including consumer retail services and digital insurance distribution services. In addition, through our rural clean energy services, we bring rural residents additional income and facilitate a transition towards clean energy. With our comprehensive, technology-driven products and services, we strive to improve farmers’ professional skills, quality of life and incomes, and ultimately make significant contributions to advancement of rural society that make rural life better.

## BUSINESS

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### **Rural Inclusive Credit Services**

We focus on China’s rural inclusive credit market, which encompasses loans obtained by small-scale farmers and small rural business owners from financial institutions with a principal amount of up to RMB200,000. Our rural inclusive credit services are designed to address the underserved financing needs of underserved small-scale farmers and small rural business owners in China’s rural areas. Their primary credit demand, which is to finance business operations and purchases of production equipment, cannot be fully satisfied by traditional financial institutions and Internet finance platforms. Traditional financial institutions generally adopt rigid standards for and spend more time on credit assessment. Internet finance platforms generally rely on customer data from online sources and lack offline networks in rural areas, which limit their abilities to reach rural customers and collect sufficient information from them. With our strong, technology-enabled local operation teams, we are committed and well equipped to fulfill the credit demands of rural customers.

With years of operations in local markets, we have developed deep insights into the economy and culture of rural areas. To better serve the needs of local small-scale farmers and small rural business owners, while our headquarters are responsible for overall planning and supervision, our local operation teams at the branches implement such strategies and engage in daily interactions with our customers. Our local operation teams, most of which are local rural residents, enable us to effectively identify and meet the critical needs of our customers. In particular, in the pre-loan credit assessment stage, our local operation teams, through trust-based local service network, are well-positioned to spot frauds based on reputational information, such as the borrowers’ outstanding disputes, inclination for risky activities, and business experience and expertise. In the loan disbursement and post-loan management stages, the close interaction between local operation teams and borrowers enable them to identify default risks early based on such reputational information, and work with borrowers to figure out solutions. We take detailed steps in verifying the reliability of the reputational information we collect, including cross-checking such reputation information with other information, such as credit history and financial conditions of the customers. Such reputational information provides valuable angles for our risk assessment, and supplements the insights we obtain from other information, so that we can better identify potential default risks. According to the Frost & Sullivan Report, as traditional financial institutions generally do not have such extensive local service network, such reputational information is often not assessable to such traditional financial institutions. Consequently, our presence in local community makes us better positioned for the assessment and control of default risks in comparison to traditional financial institutions. In addition, our risk management system also tracks customers’ repayment schedules and automatically send repayment reminders to customers. Our risk management system that fully integrates online and offline operations has enabled us to maintain a relatively low delinquency rate.

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## BUSINESS

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We primarily offer credit products used to finance agricultural production and design our products to be inclusive, flexible and simple to use. Many of our customers have no credit records and limited financial means. We offer loans with variable sizes that suit their needs and their abilities to repay. Our credit products can be applied online through our *Xiangzhu* (鄉助) platform, which can be accessed through *Xiangzhu* (鄉助) app, social media official account and mini-programs, as well as HTML5 web app, and offline through our local branches, where our customers can drop by and seek assistance for online registration. Our local operation teams also provide in-person support at customers’ doorsteps. Our products are more accessible to customers compared to the products offered by traditional financial institutions.

As of June 30, 2024, among customers who obtained loans through our platform, 89.2% were small-scale farmers, 64.4% had education level of middle school or below and 18.8% were ethnic minorities; as of the same date, the Female Participation Rate of our rural inclusive credit services was 65.9%.

We apply big data analytics and automated decision-making model to expedite our credit assessment process for loan applications, providing our customers with fast and convenient credit services that are customized to their needs. For instance, rating by our credit assessment system supported by big data model, applicants of our credit product, Speedy Loan (極速貸), receive credit decisions within three minutes on average after submitting application. Applicants of Inclusive Loans (惠農貸) and Installment Loans (農分期) receive credit decisions within four calendar days and four hours after submitting applications on average, respectively, compared with an average of three to seven calendar days for loan applications made with traditional financial institutions in the rural market, such as rural credit cooperatives, according to the Frost & Sullivan Report.

We have customer stickiness. In the six months ended June 30, 2024, 48.3% of customers of our rural inclusive credit services obtained another loan through our platform within 360 days after repaying their previous loan. As of the six months ended June 30, 2024, we had recorded 3.0 million customers who obtained loans through our platform in approximately 7.62 million drawdowns with an aggregate principal amount of RMB161.8 billion since inception of our rural inclusive credit services. We believe that our ability to maintain such customer stickiness is rooted in our strict credit assessment model that is built on the extensive market-specific knowledge developed by our local operation teams and customer insights accumulated on our platform.

## BUSINESS

In the six months ended June 30, 2024, our customers obtained an aggregate principal amount of RMB14.8 billion loans through our platform, a 23.1% increase from the same period in 2023. The total outstanding balance of such loans was RMB20.2 billion as of June 30, 2024, representing an increase of 5.8% from the end of 2023, and 89.7% was used for production and operation as of the same date. The following table sets out the total outstanding balance of loans obtained through our platform and revenue of our rural inclusive credit services as of the dates/for the periods indicated:

	As of/For the Year Ended			As of/For the Six	
	December 31,			Months Ended	
	2021	2022	2023	June 30, 2023	2024
Total outstanding balance (in RMB millions)	14,981.3	15,157.6	19,102.2	16,120.5	20,205.0
Revenue (in RMB millions)	1,661.5	1,834.9	2,023.4	951.0	1,165.8

### *Operating Metrics of Our Rural Inclusive Credit Services*

The table below sets forth the operating metrics of our rural inclusive credit services.

	As of/For the year ended			As of/For the Six	
	December 31,			Months Ended	
	2021	2022	2023	June 30, 2023	2024
Average ticket size (RMB)	19,908	24,719	34,244	33,411	32,924
Weighted average contract term (month)	11.9	11.6	11.7	11.7	11.9
Effective APR (%)	17.5	17.9	17.7	17.8	17.8

Each of our microcredit companies is subject to leverage ratio requirements by relevant regulatory authorities in the region where it operates, and according to our PRC Legal Adviser, all of our microcredit companies had been in compliance with such requirements during the Track Record Period. For delinquency rate and cumulative actual credit loss ratio of our rural inclusive credit services, please see “—Credit Performance.”

## BUSINESS

### *Our Credit Products*

The following chart summarizes the key features of the credit products that we offer to our customers.

	<b>Speedy Loan</b> (極速貸)	<b>Inclusive Loan</b> (惠農貸)	<b>Installment Loan</b> (農分期)
Credit assessment	Algorithm-based credit assessment	Algorithm-based credit assessment, combined with due diligence conducted by our local operation teams	Algorithm-based credit assessment, combined with due diligence conducted by our local operation teams
Target customers	Rural residents and small rural business owners	Rural residents and small rural business owners	Rural residents and small rural business owners who purchase agricultural inputs and equipment, green durables and other consumer goods on our platform
Average ticket size for the six months ended June 30, 2024 (RMB)	8,785	59,157	19,216
Weighted average contractual tenor	11.9 months	11.9 months	11.6 months
Accrual of interest	Interest accrues on a daily basis	Interest accrues on a daily basis	Interest accrues on a daily basis
Repayment	Borrowers make repayments according to their repayment schedules, with options for early repayment without extra charges	Borrowers make repayments according to their repayment schedules, with options for early repayment without extra charges	Borrowers make repayments according to their repayment schedules, with options for early repayment without extra charges

## BUSINESS

Speedy Loan and Inclusive Loan are primarily used for production and operation purposes to finance our customers’ crop and livestock production, such as purchase of agricultural inputs and equipment. Speedy Loan and Inclusive Loan are also used for general commercial purposes, such as manufacturing, wholesale and retail, transportation, warehousing and delivery, and other purposes such as construction or repair of farmhouses as well as consumption purposes.

We offer credit solutions, such as Installment Loan (農分期), to allow our customers who purchase agricultural inputs and equipment or merchandise on our platform to pay in installments. As of June 30, 2024, 84.8% of our customers purchasing agricultural inputs and equipment and 71.3% of those purchasing green durables on our platform used such credit solutions, which demonstrates the synergy among our agricultural production services, rural consumer goods and services and rural inclusive credit services.

### Funding

We have diversified funding sources. We fund some of our credit products through our microcredit companies and trust plans set up by a partner trust company that we collaborate with. We record such funding as on-balance sheet loans. We recognize interest income from on-balance sheet loans as it accrues under the effective interest method. We also facilitate credit products funded by our partner banks, which are recorded as off-balance sheet loans. We recognize loan facilitation income for loans funded by our partner banks. For certain credit products that we jointly fund with our partner banks, we record the portion funded by us as on-balance sheet loans and the portion funded by our partner banks as off-balance sheet loans.

As of December 31, 2021, 2022, 2023 and June 30, 2024, the total outstanding balance of loans obtained through our platform was RMB15.0 billion, RMB15.2 billion, RMB19.1 billion and RMB20.2 billion, respectively, of which 71.1%, 65.1%, 52.7% and 49.4% was funded by us. The following table sets forth the outstanding balance of our on-balance and off-balance sheet loans as of the dates indicated:

	2021		As of December 31,				As of June 30,	
	RMB	%	2022	2023	2024			
			RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>							
<b>On-balance sheet loan</b>	<b>10,648,043</b>	<b>71.1</b>	<b>9,865,970</b>	<b>65.1</b>	<b>10,065,819</b>	<b>52.7</b>	<b>9,989,445</b>	<b>49.4</b>
– Self-funded loan	10,604,655	70.8	8,701,918	57.4	8,500,114	44.5	8,661,824	42.9
– Jointly-funded loan (funded by us)	43,388	0.3	1,164,052	7.7	1,565,705	8.2	1,327,621	6.6
<b>Off-balance sheet loan</b>	<b>4,333,250</b>	<b>28.9</b>	<b>5,291,675</b>	<b>34.9</b>	<b>9,036,421</b>	<b>47.3</b>	<b>10,215,597</b>	<b>50.6</b>
– Facilitated loan	1,623,585	10.8	2,568,471	16.9	5,420,789	28.4	7,176,823	35.5
– Jointly-funded loan (funded by partner banks)	2,709,665	18.1	2,723,204	18.0	3,615,632	18.9	3,038,774	15.0
<b>Total</b>	<b>14,981,293</b>	<b>100.0</b>	<b>15,157,645</b>	<b>100.0</b>	<b>19,102,241</b>	<b>100.0</b>	<b>20,205,042</b>	<b>100.0</b>

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## BUSINESS

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### *On-Balance Sheet Loans*

We fund on-balance sheet loans primarily through a wide variety of sources, including capital raised from shareholders’ equity financings, cash generated from our operations, borrowings from our funding providers, ABSs issued by us and trust plans set up by a partner trust company that we collaborate with. We bear credit risks for our on-balance sheet loans. See “Financial Information—On- and Off-Balance Sheet Commitments and Arrangement.”

We fund some of our on-balance sheet loans through borrowings from our funding providers, including domestic commercial banks and international financial institutions. See “—Ecosystem Participants—Funding Providers and Partner Banks.” As of June 30, 2024, we partnered with 21 funding providers, including 11 domestic commercial banks and 10 international financial institutions. As of June 30, 2024, we had 15 microcredit companies, including two microcredit companies with online microcredit business operating on a cross-province level registered in Chongqing and Hainan Province, respectively, and 13 regional microcredit companies across China.

To diversify our source of funding, we also fund some of our on-balance sheet loans through our microcredit companies using ABS, which is an industry norm in the inclusive credit services industry, according to the Frost & Sullivan Report. We securitized loans receivables arising from our on-balance sheet loans through ABS plans in exchange for cash proceeds. Under the ABS plans, we have transferred the economic benefits in our loan receivables to a bank acting as trustee, which then issued senior tranche debt securities to investors and subordinate tranche debt securities to us. If the loan receivables do not generate sufficient funds to meet the payment obligations to investors, we, as the holder of subordinate tranche, are obligated to use the returns of the subordinate tranche to make up for the shortage. From an accounting perspective, since we retain the risks and the reward under the ABS plans, we record loans funded by the pool of funding raised through the ABS plans as on-balance sheet loans. For details of the accounting treatment of ABS, please see Note 23 to the Accountants’ Report in Appendix I to this document. Investors of the ABS plans are generally qualified investors who satisfy certain minimum asset requirements as specified in each information memorandum of ABS plans or applicable laws and regulations. Our PRC Legal advisers are of the view that the ABS plans complied with applicable laws and regulations during the Track Record Period.

Besides funding from our microcredit companies, we also further diversify our funding source by using trust plans to fund some of our on-balance sheet loans, which is also an industry norm in the inclusive credit services industry, according to the Frost & Sullivan Report. These financial instruments are commonly employed to enhance the efficiency of capital utilization and to address the issue of liquidity associated with illiquid assets. We cooperate with a PRC trust company to fund loans to borrowers through trust plans established in China. The trust plans have a fixed term and qualified investors can make investments in the trust plans, which provides them with fixed rates of return. We refer qualified borrowers to the trust company, engage in debt collection on behalf of the trust company and perform record-keeping and other related services. If the trust company approves the credit application

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## BUSINESS

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of the referred borrowers based on its independent credit assessment, it will act as a lender and fund the borrowers’ drawdown requests. The borrowers shall repay the principal and accrued interest to the trust company. The investors of the trust plans primarily include qualified investors who satisfy certain requirements in minimum net asset, annual income or investment experience, as set forth in subscription document of the trust plans or applicable laws and regulations. From an accounting perspective, we have power to direct the activities of the trust plans, which only invest in loans recommended by us, and we bear the risks of any default of the loans. Consequently, we are considered the primary beneficiary of the trust plans and have consolidated the trust plans’ assets, liabilities, results of operations and cash flows. As a result, we record such loans funded through the trust plans as on-balance sheet loans and we bear the risk of default by the borrower. The trust company is responsible for administering the trust plans in consideration of a service fee. As of June 30, 2024, the total outstanding balance of the loans funded through trust plans was RMB3.5 billion. Our PRC Legal Advisers are of the view that the trust plans complied with applicable laws and regulations during the Track Record Period.

### *Off-Balance Sheet Loans*

Leveraging our technology and local operation teams, we empower our partner banks to reach new customers who are underserved by traditional financial institutions. We refer qualified credit applications from these potential borrowers with their consent to our partner banks, which independently review and approve the applications. Once credit applications are approved, our partner banks will fund the borrowers’ drawdown requests and receive repayments of the loans and accrued interests directly from the borrowers. We refer the loans solely funded by our partner banks as facilitated loans.

We also collaborate with partner banks to jointly fund certain credit products, which we refer to as jointly-funded loans. In this case, the portion of loans funded by us are recorded as on-balance sheet loans and the portion of loans funded by our partner banks are recorded as off-balance sheet loans. Historically, we generally contributed no more than 5% of the principal amount for such jointly-funded loans. To comply with the Notice of General Office of the China Banking and Insurance Regulatory Commission on Further Regulating the Internet Lending Business of Commercial Banks (中國銀保監會辦公廳關於進一步規範商業銀行互聯網貸款業務的通知), whose relevant requirements came into effect on January 1, 2022, we have increased our capital contribution for each jointly-funded loan to not less than 30% starting from January 1, 2022. During the Track Record Period and up to the Latest Practicable Date, we did not violate any PRC laws and regulations with respect to the requirements over capital contribution amount for any jointly-funded loan.

As of June 30, 2024, we had entered into cooperative agreements with six commercial banks in China. The outstanding balance of our off-balance sheet loans amounted to RMB10,215.6 million as of the same date.

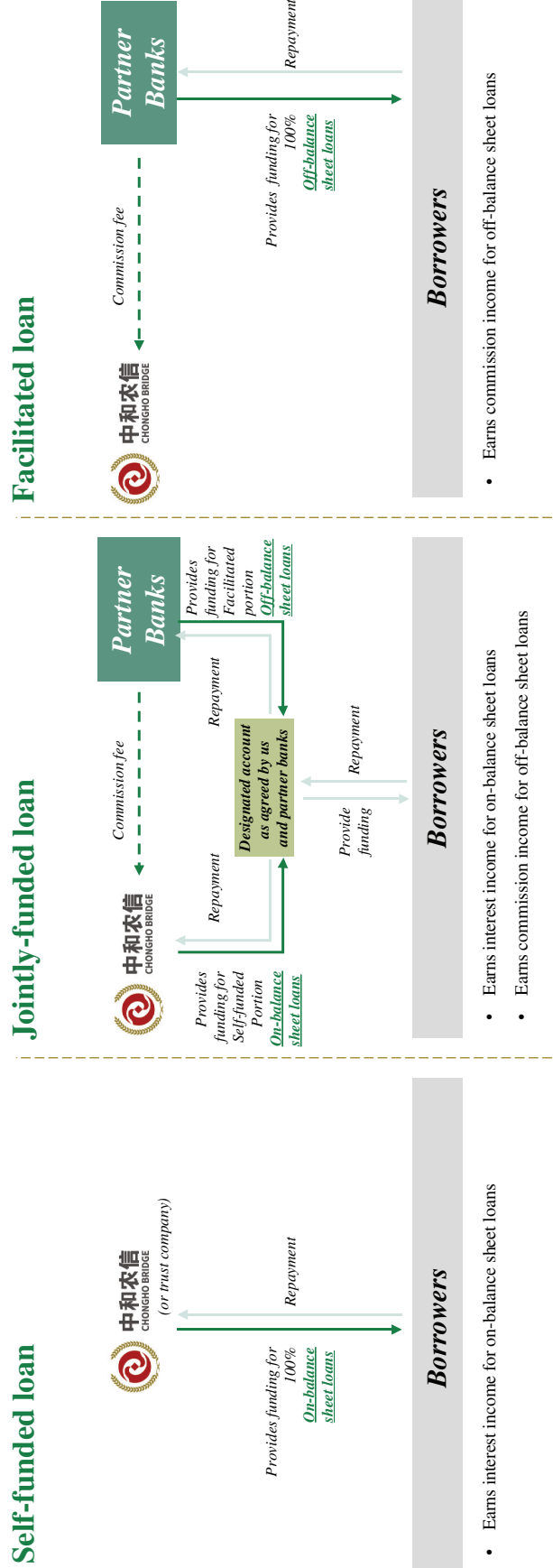


**BUSINESS**

*Self-funded Loans, Jointly-funded Loans and Facilitated Loans*

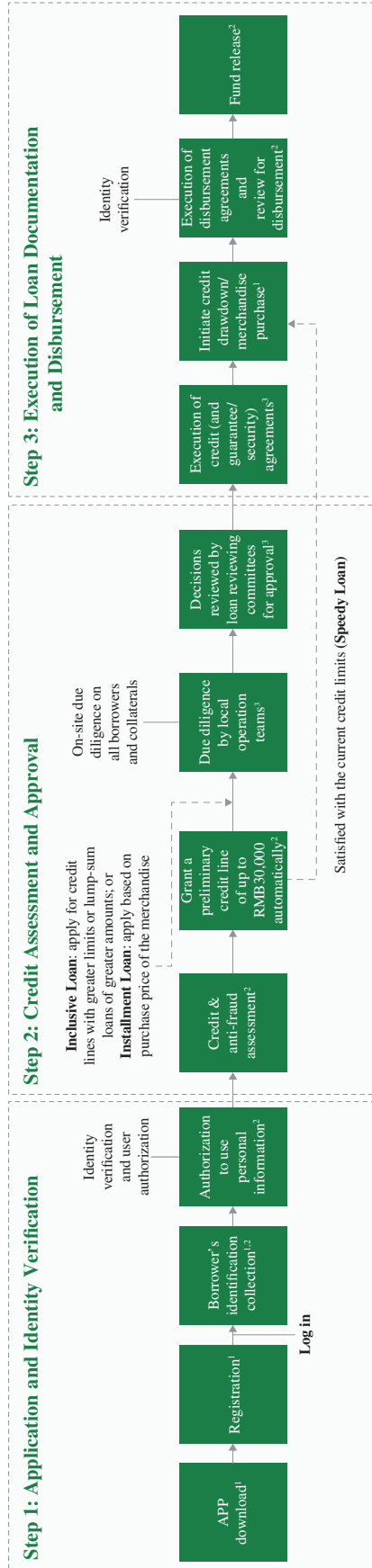
The diagrams below set forth the fund flow and general business flow of our self-funded loans, jointly-funded loans and facilitated loans:

**Fund flow of self-funded loan, jointly-funded loan and facilitated loan**



**BUSINESS**

**Business flow of self-funded loan**



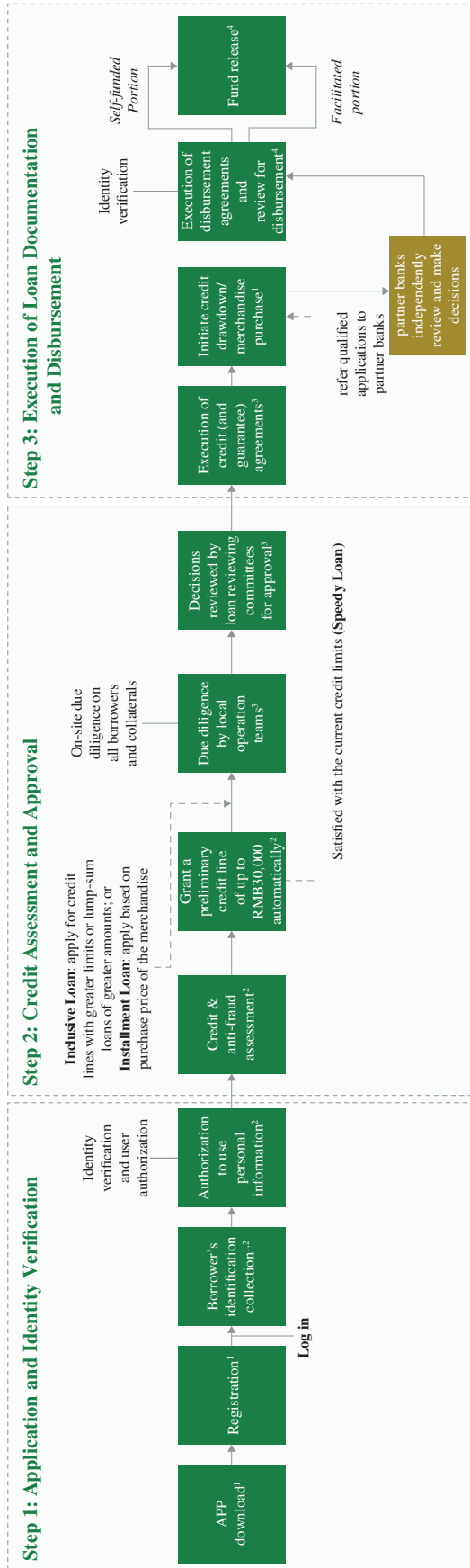
Note 1: Steps mainly involving the customer manually operating within *Xiangzhu* on their cellphones;

Note 2: Steps mainly executed automatically based on the algorithms and programs set within *Xiangzhu*;

Note 3: Steps conducted by Company staffs, who need to manually collect relevant information offline, then input the information into *Xiangzhu* and advance the relevant processes within *Xiangzhu*.

**BUSINESS**

**Business flow of jointly-funded loan**



Note 1: Steps mainly involving the customer manually operating within *Xiangzhu* on their cellphones;

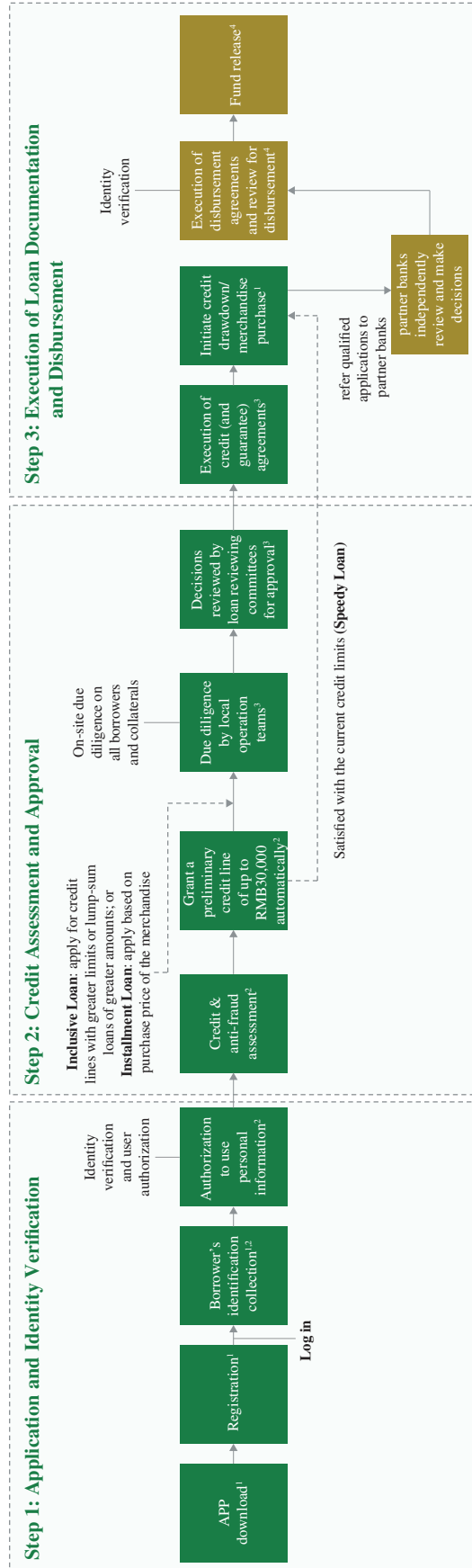
Note 2: Steps mainly executed automatically within *Xiangzhu*;

Note 3: Steps conducted by Company staffs within *Xiangzhu*, who need to manually collect relevant information offline, then input the information into *Xiangzhu* and advance the relevant processes within *Xiangzhu*;

Note 4: Steps mainly executed automatically in *Xiangzhu* with the prerequisite of obtaining consent from both the Company and its partner banks.

**BUSINESS**

**Business flow of facilitated loan**



Note 1: Steps mainly involving the customer manually operating within *Xiangzhu* on their cellphones;

Note 2: Steps mainly executed automatically within *Xiangzhu*;

Note 3: Steps conducted by Company staffs within *Xiangzhu*, who need to manually collect relevant information offline, then input the information into *Xiangzhu* and advance the relevant processes within *Xiangzhu*;

Note 4: Steps mainly executed automatically in *Xiangzhu* with the prerequisite of obtaining consent from both the Company and its partner banks.

## BUSINESS

The table below illustrates the features of our self-funded loan, jointly-funded loan and facilitated loan. For information about delinquency rate and cumulative actual credit loss ratio of each type of the loans, please see “—Credit Performance.”

	Self-funded loan	Jointly-funded loan	Facilitated loan
Average ticket size (in the six months ended June 30, 2024)	RMB21,190	RMB57,972	RMB62,834
Weighted average contract term (month)	12.0	11.6	11.8
Customer acquisition	Acquisition of customers through our local service network and our online channels. Please see “—Our Operating Model” for details.	Same as self-funded loan.	Same as self-funded loan.
Funding sources	Capital contribution from shareholders, cash generated from our operating activities, interest-bearing borrowings from banks and other financial institutions, cash raised through trust companies and cash raised from asset-backed security issuance.	For the portion of loans funded by us (“ <b>Self-funded portion</b> ”): same as self-funded loan.  For the portion of loans funded by our partner banks (“ <b>Facilitated portion</b> ”): same as facilitated loan.	Funded by partner banks.
Due diligence	Due diligence conducted by us.	We conduct due diligence based on requirements of our partner banks and refer qualified credit applications to our partner banks, which independently review and make credit decisions.	We conduct due diligence based on requirements of our partner banks and refer qualified credit applications to our partner banks, which independently review and make credit decisions.

**BUSINESS**

	<b>Self-funded loan</b>	<b>Jointly-funded loan</b>	<b>Facilitated loan</b>
Risk allocation	We bear credit risks.	For the self-funded portion: we bear credit risks.  For the facilitated portion: our partner banks bear credit risks.	Our partner banks bear credit risks.
Other services provided by the Company to partner banks	–	Our services preliminary include customer acquisition, conducting due diligence and referring qualified borrowers to partner banks.	Our services preliminary include customer acquisition, conducting due diligence and referring qualified borrowers to partner banks.
Pricing policy	Price is generally determined on a cost-plus basis, see “—Interest Rates.”	Same as self-funded loan.	Same as self-funded loan.
Accounting treatment: revenue recognition and cost	We record net interest income, which represents the interest income paid by our borrowers, net of relevant interest and other expenses arising out of our cost of funding (including interest expenses we paid for external fundings, such as borrowings from our funding providers, ABS and trust plans, and other non-interest expenses such as professional service fees and trustee management fees incurred in relation to such external fundings). For details, see Note 4 to the Accountants’ Report in Appendix I to this document.	Self-funded portion: same as self-funded loan.  Facilitated portion: same as facilitated loan.	We recognize revenue from the commission income based on the service fee we charge our partner banks for the loan facilitation services we provide. We do not record cost for facilitated loans.
Accounting treatment: on- and off-balance sheet classification	We record self-funded loans as on-balance sheet loans.	Self-funded portion: same as self-funded loan.  Facilitated portion: same as facilitated loan.	We record facilitated loans as off-balance sheet loans.

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For each given borrower, our system determines the mode of funding based on our available self-funded capital, the cost associated with different funding sources, the degree of matching between the borrower’s background and the partner banks’ lending criteria, and the partner banks’ risk control requirements. Each of our microcredit companies adjusts its mode of funding with the growth of the aggregate demand for loans from borrowers. When such aggregate demand is low, our system would generally recommend our microcredit companies to fund such loans with our self-funded capital, while maintaining in compliance with relevant regulatory requirements. As such aggregate demand increase, our system would generally seek more diversified source of funding for our microcredit companies through loan facilitation, which includes facilitated loans and jointly-funded loans, with our partner banks.

Once we determine to fund a loan application through loan facilitation, based on our preliminary credit assessment, our system generates suggestion for referring such application to a partner bank where it best meets the bank’s lending criteria. Our department of loan facilitation business reviews the referral suggestion generated by our system and makes the referral decisions. As the identities of lenders are generally not of the borrowers’ concern and do not impact interest rates and material terms of the loans, borrowers do not choose lenders on our platform. For borrowers that are unable to match with partner banks, we will decide whether to self-fund the loans based on our credit assessment results and available capital.

For facilitated loans or the facilitated portion of jointly-funded loans, we believe we create substantial value-add for both borrowers and lenders, making it more preferable for borrowers and lenders to transact through us under our loan facilitation model, rather than making the borrowing and lending directly. For borrowers, while traditional financial institutions generally adopt more rigid standards in reviewing loan applications, leading to relatively lengthy credit assessment process, we expedite such process through conducting due diligence first and refer potentially qualified borrowers to partner banks, which enable us to meet our customers’ demands more efficiently. In addition, leveraging our deep roots and established trusts in rural communities, we are better positioned to attract rural customers than the financial institutions which lack rural presence. For lenders, as we leverage our local service network entrenched in local communities, we refer to our partner banks qualified credit applications that they generally would not otherwise have access to, helping them expanding their geographic coverage and reaching a broader borrower population. However, we cannot eliminate the risks that rural customers may choose to directly borrow from financial institutions instead of through us. Please see “Risk Factors—Risks Relating to Our Business and Industry—We face intense competition in rural inclusive credit industry, agricultural production service industry, rural consumer goods and services industry and rural clean energy industry, if we do not compete effectively, our results of operations could be harmed.”

The table below illustrates the gross amount of our self-funded loan, jointly-funded loan and facilitated loan during the Track Record Period. During the Track Record Period, the gross amount of our on balance-sheet loans slightly decreased, while the gross amount of our off-balance sheet loans increased, as a result of our strategy to focus on developing our loan facilitation business to further diversify our sources of funding and improve our brand image through cooperation with large partner banks.

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	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>									
<b>On balance-sheet loans</b>	16,498,083	73.6	15,549,532	68.4	15,222,015	55.1	7,181,952	59.7	7,503,845	50.7
– Self-funded loan	16,437,230	73.4	13,911,964	61.2	13,017,624	47.1	6,198,664	51.5	6,738,667	45.5
– Jointly-funded loan (funded by us)	60,853	0.3	1,637,568	7.2	2,204,390	8.0	983,287	8.2	765,178	5.2
<b>Off balance-sheet loans</b>	5,909,141	26.4	7,190,347	31.6	12,401,952	44.9	4,847,766	40.3	7,308,868	49.3
– Facilitated loan	2,028,022	9.1	3,369,355	14.8	7,258,375	26.3	2,553,429	21.2	5,523,452	37.3
– Jointly-funded loan (funded by partner banks)	3,881,118	17.3	3,820,992	16.8	5,143,577	18.6	2,294,337	19.1	1,785,415	12.1
<b>Total</b>	<u>22,407,224</u>	<u>100.0</u>	<u>22,739,878</u>	<u>100.0</u>	<u>27,623,967</u>	<u>100.0</u>	<u>12,029,718</u>	<u>100.0</u>	<u>14,812,713</u>	<u>100.0</u>

The table below sets out the levels of interest rates applicable to our loans during the Track Record Period.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
Interest rate ranges	10.0%- 19.8%	10.0%- 19.8%	10.0%- 24.0%	10.0%- 24.0%	10.4%- 24.0%
Average interest rates	17.5%	17.9%	17.7%	17.8%	17.8%

During the Track Record Period, the average interest rates of the loans obtained through our platform remained relatively stable. The high-end for our interest rate ranges increased in 2023 in comparison to 2022, primarily due to the expansion of our services under Speedy Loan in 2023 to cover a wider population of borrowers. Since the proportion of borrowers near the high-end of the interest rate range is low, our average interest rates remained relatively stable. Please see “Financial Information—Description of Major Components of Our Results of Operations—Total Revenue—Rural inclusive credit services” for details.

### ***Loan Portfolio***

The loan portfolio on our platform comprises both on-balance sheet and off-balance sheet loans. In the six months ended June 30, 2024, the average single drawdown amount of the loans was approximately RMB32,924 and the weighted average contract term was approximately 11.9 months.



## BUSINESS

As of June 30, 2024, 89.7% of the balance of the loans obtained through our platform were used for production and operation purposes. As agricultural activities often involve purchases of agricultural inputs in bulk and large-size equipment, small-scale farmers and small rural business owners may have relatively higher credit demands. With our robust credit assessment and post-loan management abilities, we are able to fulfill such demands while prudently control credit risks. The following table sets forth a breakdown of the total outstanding balance of loans obtained through our platform by use as of the dates indicated:

	2021		As of December 31,				As of June 30,	
	RMB	%	2022		2023		2024	
			RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>							
Agricultural production	7,195,244	48.0	7,231,409	47.7	9,144,383	47.9	9,722,524	48.1
Wholesale and retail	1,954,932	13.0	1,953,058	12.9	2,786,626	14.6	2,930,979	14.5
Service industries	1,738,144	11.6	1,748,182	11.5	2,323,949	12.2	2,550,898	12.6
Manufacturing and processing industries	1,156,176	7.7	1,155,457	7.6	1,449,431	7.6	1,600,710	7.9
Transportation	1,272,914	8.5	1,116,445	7.4	1,248,411	6.5	1,309,557	6.5
Others	1,663,883	11.1	1,953,094	12.9	2,149,441	11.3	2,090,373	10.3
<b>Total</b>	<b>14,981,293</b>	<b>100.0</b>	<b>15,157,645</b>	<b>100.0</b>	<b>19,102,241</b>	<b>100.0</b>	<b>20,205,042</b>	<b>100.0</b>

The following table sets forth a breakdown of the total outstanding balance of loans obtained through our platform by ticket size as of the dates indicated:

	2021		As of December 31,				As of June 30,	
	RMB	%	2022		2023		2024	
			RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>							
Up to RMB10,000	601,990	4.0	474,384	3.1	502,074	2.6	570,399	2.8
RMB10,000 to RMB30,000	2,449,316	16.3	1,963,172	13.0	2,235,860	11.7	2,422,880	12.0
RMB30,000 to RMB70,000	4,721,454	31.5	4,386,488	28.9	4,827,867	25.3	5,050,133	25.0
RMB70,000 to RMB120,000	4,732,100	31.6	5,089,551	33.6	5,847,082	30.6	6,125,325	30.3
Over RMB120,000	2,476,433	16.5	3,244,050	21.4	5,689,357	29.8	6,036,304	29.9
<b>Total</b>	<b>14,981,293</b>	<b>100.0</b>	<b>15,157,645</b>	<b>100.0</b>	<b>19,102,241</b>	<b>100.0</b>	<b>20,205,042</b>	<b>100.0</b>

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The following table sets forth a breakdown of the total volume of loans obtained through our platform by ticket size for the years/periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>									
Up to RMB10,000	2,685,181	12.0	2,186,800	9.6	1,788,697	6.5	789,850	6.6	1,018,414	6.9
RMB10,000 to RMB30,000	4,272,550	19.1	3,663,876	16.1	4,138,282	15.0	1,873,767	15.6	2,581,223	17.4
RMB30,000 to RMB70,000	5,813,356	25.9	5,580,774	24.5	6,588,336	23.9	2,951,422	24.5	3,614,537	24.4
RMB70,000 to RMB120,000	6,610,936	29.5	6,932,535	30.5	7,918,620	28.7	3,616,039	30.1	4,036,395	27.2
Over RMB120,000	3,025,201	13.5	4,375,894	19.2	7,190,032	26.0	2,798,640	23.3	3,562,143	24.0
<b>Total</b>	<b>22,407,224</b>	<b>100.0</b>	<b>22,739,878</b>	<b>100.0</b>	<b>27,623,967</b>	<b>100.0</b>	<b>12,029,718</b>	<b>100.0</b>	<b>14,812,713</b>	<b>100.0</b>

### ***Interest Rate***

The interest rates that we charge on our credit products are generally determined on a cost-plus basis. When determining the interest rate that we charge on a loan, we will consider a number of factors, including our funding cost, any guarantee, as well as the use and term of the loan. We do not charge customers administration fees or handling charges besides interest, which may include penalty interest and overdue interest. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the Effective APR of loans obtained through our platform was 17.5%, 17.9% and 17.7%, 17.8% and 17.8%, respectively, which was generally towards the relatively low end of prevailing market rates in the market we operate, according to Frost & Sullivan Report.

### ***Borrower Protection***

We endeavor to protect our customers’ interests, which helps increase their stickiness and engagement on our platform. As part of our responsible lending philosophy, our focus is to issue loans based on our assessment of each customer’s ability to repay the loans in order to achieve better repayment results. In addition, our strategy guided by our philosophy is to (i) present complete information to prospective customers before they enter into any loan agreements so prospective customers understand their obligations, (ii) empower and motivate our local operation teams to provide products and services suitable for prospective customers’ needs, (iii) adopt reasonable pricing and provide credit products that do not exceed our customer’s ability to make repayments, (iv) enhance data privacy protection, and (v) establish multiple complaint channels and respond to all customer complaints in a timely manner.

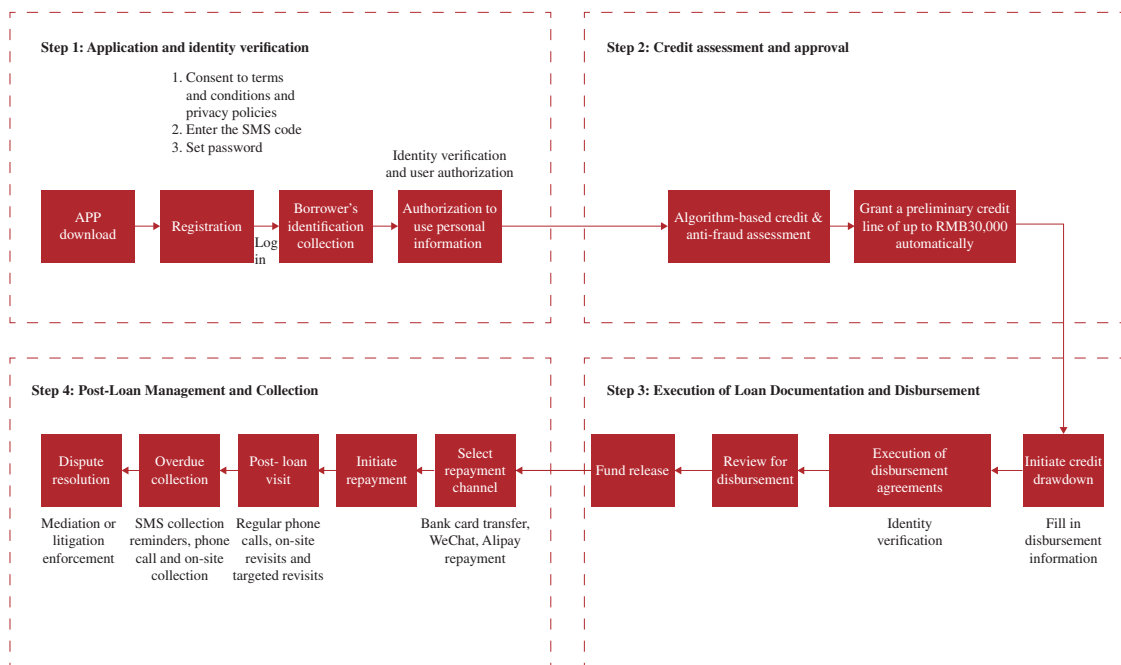
## BUSINESS

### Technology-Empowered Transaction Process

We provide our customers with a fast and convenient borrowing experience. To streamline the transaction process, we require our customers to complete the entire processes of loan application, loan documentation execution and loan drawdown through our *Xiangzhu* (鄉助) platform, which offers step-by-step guidance to our customers. Our local operation teams provide in-person support for customers who need assistance in online registration and our rural inclusive credit services that require on-site due diligence to facilitate the transaction process.

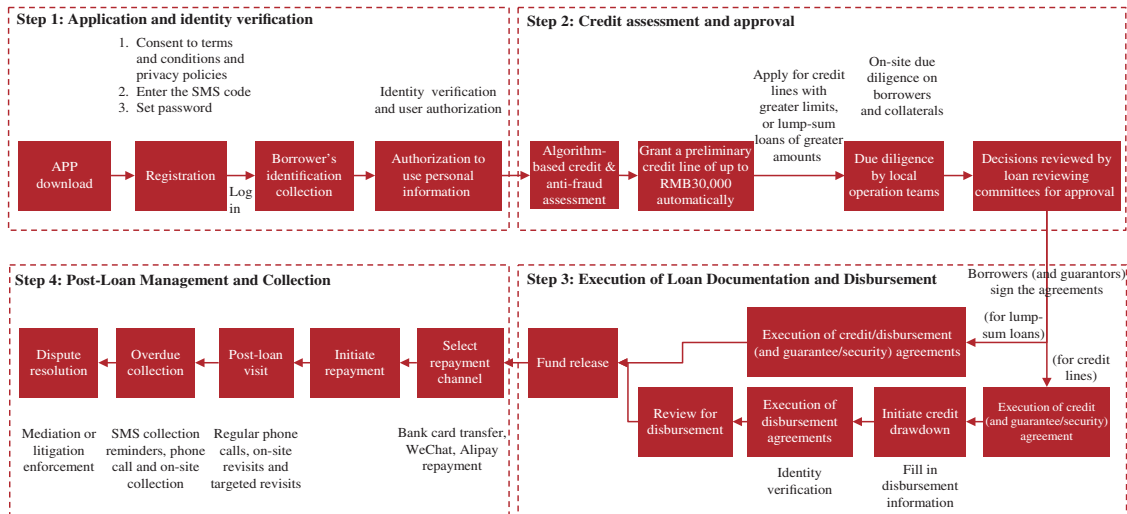
Compared to traditional financial institutions, our transaction process is faster and more convenient. Our major transaction process involves application, credit assessment and approval, disbursement and post-loan management and collection. For details on our risk management and risk control policies and measures in association with our business, see “—Risk Management.” The following diagrams illustrate a simplified transaction process for our customers:

### Speedy Loan (極速貸) Flow Chart

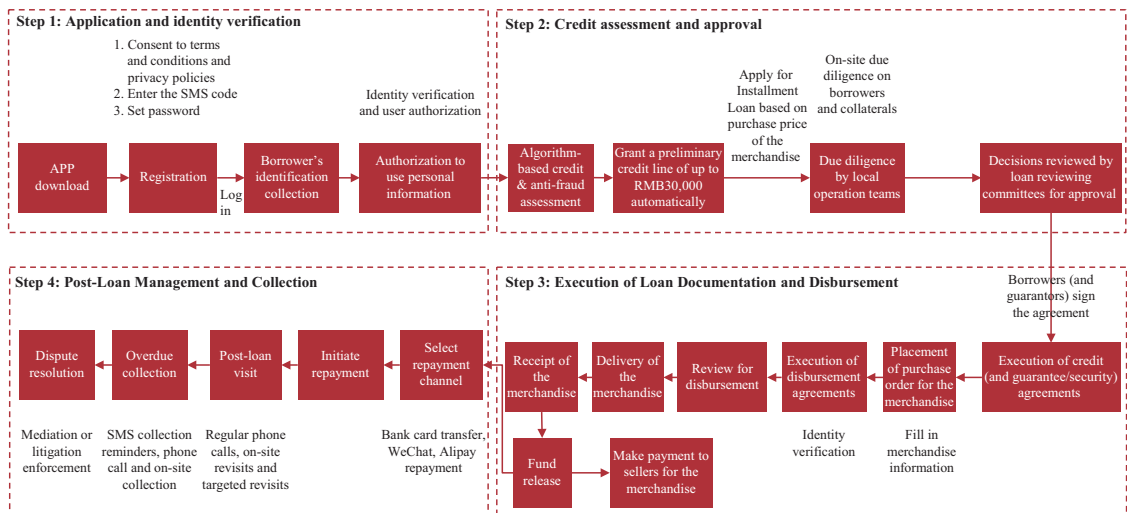


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### Inclusive Loan (惠農貸) Flow Chart



### Installment Loan (農分期) Flow Chart



We have applied technology throughout the entire process to enhance customer experience, improve our operating efficiency and save time and efforts of our local operation teams. We equip our local service network with digital operating system and customer service toolbox that improve the efficiency of each step of the business process, including pre-loan information collection and diligence, loan approval and monitoring, and post-loan management, while reducing risks. When developing the digital operating system, we incorporate our standard business processes derived from extensive operational experience in customer and personnel management as a base and continuously optimize and upgrade these processes using our digital technologies expertise. We integrate information technology innovations, including image recognition, automatic identification, knowledge graphic, big data analytics and machine-learning, to all facets of our digital operating system.

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### *Stage 1: Acceptance of Loan Applications*

Prospective customers can make loan applications through our *Xiangzhu* (乡助) app on their own. After prospective customers download our *Xiangzhu* (乡助) app and complete the registration process, we collect and verify their identification information, and obtain their authorization to use their personal information for the application and provision of our rural inclusive credit services. Our local operation teams can also visit prospective customers in person to assist them with the registration and application process.

To improve the efficiency of our loan application process, we equip our local operation teams with photo recognition and bank card recognition tools, which can quickly recognize and automatically convert information in image format such as identification documents, bank statements and other documents to texts and enter such information into our system. Such image recognition tools enable our local operation teams to complete information recording that may take some time in the past by taking a picture at single click that only takes few seconds.

### *Stage 2: Credit Assessment and Approval*

Once customers make credit applications through *Xiangzhu* (乡助) app, our systems will perform preliminary credit assessment using our proprietary algorithm-based credit assessment system, which can conduct assessment on customers’ ability to repay loans and conduct anti-money laundering and anti-fraud internal control and “know-your-customer” procedures leveraging our proprietary algorithms and massive data accumulated on our platform. Such preliminary credit assessment is a rule-based process that our system is able to complete, and we diligently maintain our system to ensure its smooth operations. If no red flags are identified in such preliminary credit assessment, our system will automatically grant a preliminary credit line of up to RMB30,000 to the applicants. Such limit can satisfy the credit demand of a significant number of our customers.

After the completion of the preliminary credit assessment and the grant of the preliminary credit line, customers can choose from the credit products we provide based on their needs:

- **Speedy Loan:** Customers whose needs for credit can be satisfied by the aforementioned preliminary credit line may apply for our Speedy Loan. With the help of our proprietary algorithm-based credit assessment system, which has enhanced the efficiency of the preliminary risk assessment, applicants of Speedy Loan are able to receive credit decisions within three minutes after submitting applications on average.
- **Inclusive Loan:** Customers whose needs for credit cannot be fully addressed by the aforementioned preliminary credit line may apply for Inclusive Loan. Such customers may either apply for an increase of the limit of their credit lines, or apply for lump sum loans with greater principal amount. For such loans, our local operation teams will conduct on-site due diligence on the borrowers and collaterals.

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- **Installment Loan:** Customers who apply for loans to fund their purchase of merchandise, such as agricultural inputs and equipment, and green durables on our platform, may apply for Installment Loans. For such loans, our local operation teams will conduct on-site due diligence on the borrowers and collaterals.

For Inclusive Loan and Installment Loan, in order to conduct further credit assessment beyond the aforementioned preliminary credit assessment, our local operation teams conduct on-site due diligence to collect additional financial and non-financial information of the borrower and the collaterals. Such on-site due diligence is usually conducted within one day after receiving the application for Inclusive Loan and Installment Loan, and we typically make credit decision within two calendar days after the on-site due diligence.

For the on-site due diligence, our local operation teams generally collect and evaluate the following information. See “—Risk Management and Internal Control—Credit Risk Management—Data Collection and On-the-ground Diligence.”

- **Information provided by the customers:** We usually start our on-site due diligence from the basic information provided by the customers.
- **Information accumulated on our platform:** We also take into consideration any additional customer specific information accumulated on our platform, such as the customers’ prior credit histories with us.
- **Financial information from third-parties:** We collect and verify the customers’ financial information, such as income, cash flow and assets of the borrower, through various documents, such as bank statements, vehicle registration and property certificate. Such information is usually obtained through third-parties, and we obtain such information with the prior authorization of the customers.
- **Reputational information from third-parties:** In addition, we also evaluate certain reputational information, such as the customers’ outstanding disputes, inclination for risky activities, and business experience and expertise, to help us assess the loan application. We take detailed steps in verifying the reliability of the reputational information we collect, including cross-checking such reputation information with other information, such as credit history and financial conditions of the customers. Such reputational information provides valuable angles for our risk assessment, and supplements the insights we obtain from other information, so that we can better identify potential default risks. As many of our local operation teams are local residents of the communities they cover, it is relatively easy for them to gather such reputational information of the customers from third parties in the relevant neighborhood. According to the Frost & Sullivan Report, as traditional financial institutions generally do not have such extensive local service network, such reputational information is often not assessable to such traditional financial institutions. Consequently, our presence in local community makes us better positioned for the assessment and control of default risks in comparison to traditional financial institutions.

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When conducting on-site due diligence, local operation teams can use our digital credit assessment tools, including our Credit Report Analysis Assistant, Credit Rating Assistant and Cash Flow Analysis System, to analyze customers' credit-related information shared by third-party platforms and receive assessment results, which enhance the efficiency of our local operation teams in on-site due diligence and enable our local operation teams to conduct further due diligence in real time for any flagged risks.

- The Credit Report Analysis Assistant: our Credit Report Analysis Assistant can help our local operation teams conduct detailed analysis based on the borrowers' credit reports provided by credit reference centers, such as the Credit Reference Center of the PBOC. Once the borrowers authorize us to obtain their credit reports from credit reference centers, our local operation teams submit such reports to our Credit Report Analysis Assistant, which process the data contained in the credit reports and generate detailed analysis on such reports to address the borrowers' credit history, abilities for repayment and refinancing, and relevant risks exposure for lending, to facilitate the further decision by our local operation team on whether to admit such borrower for our credit services.
- The Credit Rating Assistant: our Credit Rating Assistant can help our local operation teams by provide credit ratings for the borrowers, based on the borrowers' credit reports provided by credit reference centers. Once the borrowers' authorize us to obtain their credit reports from credit reference centers, our local operation teams submit such reports to our Credit Rating Assistant, which constructs a credit assessment model to determine the borrowers' rating under our credit rating system. Based on such rating, our local operation team can more directly identify the level of risk exposure involved in the lending to such borrower, and may further determine the nature and degree of further due diligence that may be required before making the lending.
- The Cash Flow Analysis System: our Cash Flow Analysis System can help our local operation team analyze the cash flow information provided by the borrower, while at the same time taking into consideration a series of important factors, such as the industry where the borrower operates, the results of operations of the borrower, and potential risks involved in the borrowers' activities. Based on such analysis results, our local operation team may better access the credibility information underlying the borrowers' financial information, helping them to make decisions on whether further due diligence are required, or whether to admit such borrower for our credit services.

For Inclusive Loan and Installment Loan, the decision of our local operation teams based on on-site due diligence will be further reviewed by our loan reviewing committee for approval. We have loan reviewing committees consisting of loan reviewers at the level of our branches, our regional offices and our headquarters. Each loan reviewer of such loan reviewing committees assesses the loan application independently and has veto power. The level of loan reviewing committee that will review and approve a loan application depends on the size of

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such loan (or the limit of the credit line) and the findings of the on-site due diligence of local operation teams. Using our big data capabilities, we also assess the risk management capabilities of local operation teams and adjust the weight of their decision in loan approval process based on our assessment results. See “—Risk Management and Internal Control—Credit Risk Management—Credit Assessment.” During the process of credit assessment, we remain committed to complying with data privacy laws and protecting the security of user data. See “—Data Privacy Protection and Compliance.”

### *Stage 3: Execution of Loan Documentation and Disbursement*

Successful loan applicants will be asked to execute loan documentation. The loan documentation for Inclusive Loan and Installment loan primarily includes (1) the credit agreements signed by the borrowers; (2) for loans between RMB100,000 and RMB200,000, the guarantee agreements signed by the borrowers and the guarantors; (3) generally for loans above RMB200,000, the security agreements; see “—Our Services—Rural Inclusive Credit Services—Types of Security”; and (4) the disbursement agreements signed for fund disbursement. The loan documentation for Speedy Loans only include the disbursement agreements signed for fund disbursement. We offer online execution tools to our customers and local operation teams for easy execution and better record keeping. We generally require borrowers of certain of our credit products to designate co-borrowers, who in most cases are the principal borrowers’ immediate family members, to execute some of the loan documentation together with the principal borrowers.

- **Speedy Loan:** Customers of Speedy Loan may draw down funds to their bank account within the preliminary credit line, and they are required to execute the disbursement agreements at the same time.
- **Inclusive Loan:** After execution of the credit agreements, the guarantee agreements and the security agreements (to the extent applicable), customers of Inclusive Loan may draw down funds to their bank account, within the approved limit of the credit line, or in the approved amount of the lump sum loan. When making the drawdown, they are required to execute the disbursement agreements at the same time.
- **Installment Loan:** After execution of the credit agreements, the guarantee agreements and the security agreements (to the extent applicable), the customer places the purchase order for the merchandise. Once the customer completes the disbursement review process and execute the disbursement agreements, the merchant delivers the merchandise to the customer. After the customer receives the merchandise, the funds equal to the purchase prices of the relevant merchandises will be paid to the merchants’ bank accounts. At the same time, the corresponding loan balances will be posted to the customers’ accounts on our *Xiangzhu* (鄉助) app.



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### *Stage 4: Post-Loan Management and Collection*

We provide our customers with a wide variety of repayment channels, such as bank transfer, Alipay or WeChat Pay, to facilitate their repayment process. We carefully balance the needs to control our credit risks and our commitment to delivering a convenient borrowing experience. Our system provides technology-empowered customer reminding service, which tracks customers’ repayment schedules and automatically sends repayment reminders through in-app notification and SMSs before the due date. More importantly, we have clear post-loan return visit policies to ensure that local operation teams discuss with our customers in advance about plans on repayment, credit extension and additional loans needed based on their knowledge of our customers’ loan terms and credit demands. In addition, such close interactions with our customers enable our local operation teams to identify potential default events earlier and provide opportunities to explore solutions before the actual defaults.

If any loans become overdue, our local operation teams are in charge of keeping close contact with the defaulting customers to achieve better collection results. We do not outsource collection. We continuously monitor the collection efforts of our local operation teams to ensure compliance with relevant regulatory requirements. In the event of malicious default of a loan that is overdue of over 90 calendar days, we may engage in mediation with, or require our local operation teams to file lawsuit against, the borrower and the relevant guarantor or request enforcement actions.

### *Types of Security*

By types of security provided, we categorize our rural inclusive credit services into three types: unsecured loans (loans that do not have any collateral or guarantor), guaranteed loans (loans that are guaranteed by individual guarantors, who are, to the best of our knowledge, generally small-scale farmers and small rural business owners who are acquainted with the borrowers) and secured loans (loans that are secured by collaterals). We generally require loans in excess of RMB200,000 to be secured. Collateral of secured loans is generally residential property. For loans between RMB100,000 and RMB200,000, we generally require a third-party guarantor. For loans with a principal amount of RMB100,000 or less, we generally do not require a collateral or guarantor.

The following table sets forth a breakdown of the total outstanding balance of loans obtained through our platform by security type as of the dates indicated:

	2021		As of December 31,				As of June 30,	
	RMB	%	2022	2023	2024			
			RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentage)</i>							
Guaranteed loans	10,896,058	72.7	11,992,569	79.1	15,025,536	78.7	15,776,508	78.1
Unsecured loans	3,720,684	24.8	2,818,399	18.6	3,672,117	19.2	4,038,997	20.0
Secured loans	364,551	2.4	346,677	2.3	404,587	2.1	389,537	1.9
<b>Total</b>	<b>14,981,293</b>	<b>100.0</b>	<b>15,157,645</b>	<b>100.0</b>	<b>19,102,241</b>	<b>100.0</b>	<b>20,205,042</b>	<b>100.0</b>

## BUSINESS

### *Credit Performance*

The credit performance of the loans obtained through our platform affects our financial conditions and results of operations. If repayment for one credit drawdown is overdue, we consider the repayments for the remaining drawdowns to be at risk for the purpose of evaluating the credit performance. Based on our experience, loans overdue for less than 30 calendar days have a higher chance to be recovered, therefore we focus on credit performance of loans for which repayment of any drawdown is more than 30 calendar days overdue.

The following chart illustrates the historical delinquency rate by balance of loans obtained through our platform as of December 31, 2021, 2022 and 2023 and June 30, 2024. We use D30+ and D90+ delinquency rate to monitor our credit performance because we believe they are critical indicators of credit risks widely used by industry participants and enable us to adjust our risk management strategies accordingly. According to the Frost & Sullivan Report, both D30+ and D90+ delinquency rates are frequently used by providers of credit services, including a number of listed non-traditional financial institutions, as benchmarks for measuring credit performance. The D30+ delinquency rate is an early indicator of overdue risk, which reflects the beginning of customers’ financial pressure before it becomes more severe, and the D90+ delinquency rate is an essential indicator of overdue risk, since loans overdue for more than 90 days are classified as secondary loans according to Measures for the Risk Classification of Financial Assets of Commercial Banks. As of June 30, 2024, our D30+ and D90+ delinquency rates were 2.08% and 1.52%, respectively, both of which were significantly below industry average, which was 4.5% and 3.8%, according to the Frost & Sullivan Report. The D30+ and D90+ delinquency rates both increased from 2021 to 2022, primarily due to the difficulties suffered by some borrowers as a result of COVID-19 pandemic.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
D30+ delinquency rate <sup>(1)</sup>	1.36%	2.27%	1.56%	2.08%
Self-funded loans	1.53%	3.21%	2.70%	3.56%
Jointly-funded loans	1.05%	1.20%	0.91%	1.67%
Facilitated loans	0.79%	0.73%	0.40%	0.58%
D90+ delinquency rate <sup>(2)</sup>	1.01%	1.58%	1.19%	1.52%
Self-funded loans	1.13%	2.25%	2.08%	2.65%
Jointly-funded loans	0.73%	0.83%	0.69%	1.14%
Facilitated loans	0.68%	0.50%	0.28%	0.42%

*Notes:*

- (1) Delinquency rate by balance for loans that were over 30 calendar days overdue, which equals to (i) outstanding principal balance of loans that were over 30 calendar days past due (excluding loans that were written-off), as divided by (ii) total outstanding principal balance of the loans (excluding loans that were written-off) obtained through our platform as of a specific date.
- (2) Delinquency rate by balance for loans that were over 90 calendar days overdue, which equals to (i) outstanding principal balance of loans that were over 90 calendar days past due (excluding loans that were written-off), as divided by (ii) total outstanding principal balance of the loans (excluding loans that were written-off) obtained through our platform as of a specific date.

## BUSINESS

From the inception of our rural inclusive credit services up to June 30, 2024, the overall cumulative actual credit loss ratio for our rural inclusive credit services was 0.51%, representing an industry-leading level of risk control, according to the Frost & Sullivan Report. The below table illustrates the cumulative actual credit loss ratios for our self-funded loans, jointly-funded loans and facilitated loans, from the inception of our provision of such loans under our rural inclusive credit services up to December 31, 2021, 2022, 2023 and June 30, 2024, respectively. Following our accounting policies, we write off loans which are overdue for more than 12 months. See “Financial Information—Summary of Financial Position—Loans and advances to customers—Overdue Analysis”. As some of our borrowers suffered difficulties during the COVID-19 pandemic, a substantial portion of such loans became overdue for more than 12 month, and was therefore written off, in 2023 and in the six months ended June 30, 2024. In addition, according to the Frost & Sullivan Report, in 2023 and the six months ended June 30, 2024, the price of a number of major agricultural products in China experienced considerable fluctuation, which adversely affected the income and the ability to repay loans for many small-scale farmers and small rural business owners. As a result, we recorded an increase in the cumulative actual credit loss ratio for our self-funded loans and jointly-funded loans as of December 31, 2023 and as of June 30, 2024 in comparison to the levels as of December 31, 2021 and December 31, 2022.

	As of December 31,			As of
	2021	2022	2023	June 30, 2024
Cumulative actual credit loss ratio (%) <sup>(1)</sup>				
Self-funded loans	0.41	0.43	0.54	0.59
Jointly-funded loans	0.07	0.23	0.31	0.36
Facilitated loans	0.56	0.44	0.36	0.33
<b>Overall</b>	<b>0.40</b>	<b>0.41</b>	<b>0.48</b>	<b>0.51</b>

*Note:*

- (1) The cumulative actual credit loss ratio as of a certain date is calculated by subtracting the recovery portion from the principal of loans being written off, and divided by the total volume of loans obtained through our platform from the inception of our provision of such loans under our rural inclusive credit services up to that date.

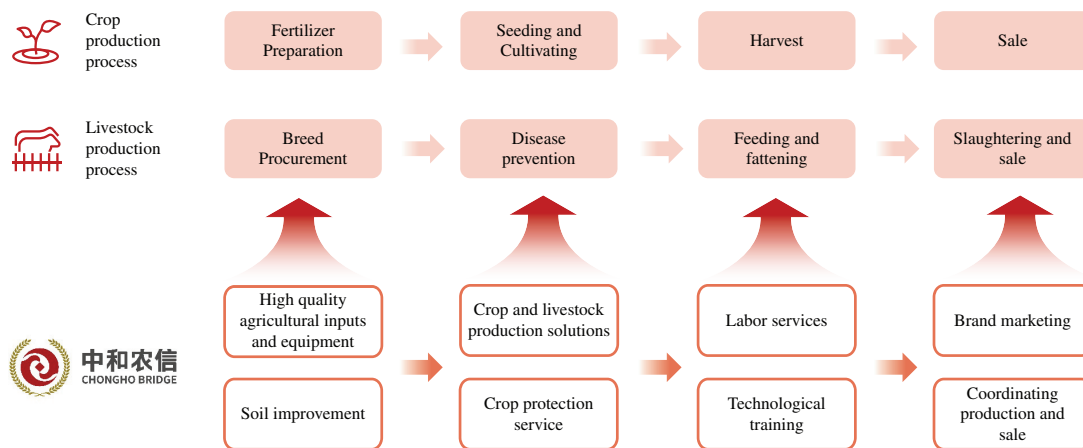
### Agricultural Production Services

Small-scale farmers engaged in crop and livestock production historically rely heavily on personal experience instead of scientific planning and implementing available technologies. To address difficulties our customers face with agricultural production technology and a lack of tailored agricultural input services, we provide comprehensive agricultural production services to rural customers engaged in crop and livestock production. Our agricultural production services cover end-to-end agricultural production process, from procuring agricultural inputs and equipment to crop and livestock production, harvesting, and ultimately, sale of agricultural products. Through our technology-powered services, we make agricultural production more sustainable and efficient and help small-scale farmers and small rural business owners increase their income.

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Before crop and livestock production, we formulate customized agricultural inputs and equipment solutions based on our on-site field research and cooperate with selected manufacturers to provide, and in some cases, co-develop these products. During crop and livestock production process, we educate our customers of agricultural technologies and skills, and offer tailored modern agricultural management services to help them improve efficiency and increase yields through technologies and help of local farming experts. We also offer free agricultural knowledge-sharing services, through which they can ask questions to agricultural experts and technicians and receive prompt replies. After harvesting, we source agricultural products from farmers and resell to manufacturers such as feed companies, expanding the sales channels across the agricultural value chain and expanding income sources for farmers. To continuously upgrade existing solutions and launch new offerings, we build a team of over 40 in-house agricultural experts and technicians and cooperate with external experts, technicians and one renowned agricultural college.

The following diagram illustrates our agricultural production services along the agricultural value chain:



The following table sets out the GMV and revenue of our agricultural production services for the years/periods indicated.

	For the Year Ended December 31,			For the Six Months	
	2021	2022	2023	Ended June 30, 2023	2024
GMV (in RMB millions)	419.8	961.9	1,551.5	658.5	917.8
Revenue (in RMB millions)	377.5	417.5	878.3	420.4	588.9

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## BUSINESS

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As of June 30, 2024, the cumulative GMV of our agricultural production services reached RMB4.1 billion since inception of our agricultural production services. As part of our agricultural production services, we operate *Xiangzhu* (鄉助) platform through self-operating model and marketplace model. Under our self-operating model, we recognize revenue on a gross basis from the total amount paid by customers for the goods sold on our platform when we are acting as a principal in the course of business. Under our marketplace model, we recognize revenue on a net basis from service fees paid by manufacturers and merchants transacted through our platform.

### *Agricultural Inputs and Equipment*

We formulate customized agricultural inputs and equipment solutions based on comprehensive on-site field research of soil condition, crop information, planting habits, types of agricultural inputs, common pests and diseases as well as agricultural production challenges in local areas. Based on such customized solutions, we partner with selected manufacturers of agricultural inputs and equipment to provide suitable products to our customers such as optimized fertilizers that improve soil conditions, seed drills, combine harvesters and tractors. For example, we cooperate with fertilizer manufacturers with customization and research capabilities to design fertilizers made with advanced processing technique and proper formula. In addition, we develop plant protection solutions suitable for each growth stage of plants through assembling different fertilizers and pesticides in expert-designed quantities and ratio, enhancing product effectiveness while reducing excessive chemical usage. We also cooperate with selected manufacturers to offer autonomous tractors, significantly reducing manpower and improving efficiency in agricultural production. Furthermore, we cooperate with a renowned agricultural college to cultivate and promote the application of advanced agricultural inputs and have established a research institution to deepen our collaborations with agricultural technology partners. As the application of agricultural inputs varies with plant or livestock growth stages, we educate customers on appropriate application methods, empowering them to fully capture the benefits of our products. With our specialized products and advanced agricultural technologies, we aim to improve the production efficiency of farmers and quality of agricultural products, reduce risks and uncertainties inherent in each step of planting, and help farmers achieve higher agricultural income.

## BUSINESS

Our customers are small-scale farmers that operate on small-scale plots of land or livestock and poultry farms, as well as small rural business owners. They traditionally relied heavily on layers of distributors to purchase agricultural inputs and equipment. Leveraging our *Xiangzhu* (乡助) platform, we digitalize and streamline the supply chain. We primarily adopt a self-operating model. In most instances we aggregate demands from customers and then make bulk purchases of agricultural inputs from manufacturers. We also operate in a marketplace model, where manufacturers, merchants and customers can transact through our *Xiangzhu* (乡助) app directly. The flow chart below illustrates our transaction process of the self-operating model:



Under our self-operating model, we identify the needs of and the issues faced by our rural customers in agricultural production, come up with optimized product solutions, such as fertilizers with scientific composition, to address issues in agricultural production and order such products from our partner manufacturers. We generate revenues by selling agricultural inputs and equipment that we procure from our partner manufacturers in volume to small-scale farmers and small rural business owners.

In most instances, we do not need to maintain inventory, thereby achieving better fulfillment efficiency. This is made possible by our order-driven sales model, where we introduce the products and their benefits to customers and then collect orders from rural customers before purchasing from our partner manufacturers. With our rich experience and insights in agricultural production, we also purchase certain products expected to have high market demands in advance and store them in our front warehouses to facilitate fast transportation upon order placement. We maintain inventory in such cases and closely monitor our inventory level and implement rigorous inventory management policy.

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Under our marketplace model, customers can directly communicate with manufacturers or merchants through our *Xiangzhu* (鄉助) app. For example, a merchant selling tractors may post its products on our platform and interested customers can contact the retailer and visit their store for a test drive. Our local operation teams and village-level partners may assist in the transaction process. For each transaction completed, we charge service fees as a certain percentage of the total purchase price.

The table below illustrates the features of our self-operating model and marketplace model.

	<b>Self-operating Model</b>	<b>Marketplace Model</b>
Types of products supplied	The products primarily include agricultural inputs such as fertilizer and feed.	The products primarily include agricultural equipment, such as tractors, farm trucks, farm machinery, agricultural irrigation equipment, and agricultural greenhouses. Some agricultural inputs are also sold under marketplace model.
Revenue type	We generate revenue from sale of products.	We generate revenue from service fees. We set a base service fee rate generally at 0.2% and manufacturers and merchants may decide to offer a higher service fee rate to promote the sale of their products on our platform.
Cost	Cost of purchasing inventory, logistics and marketing activities.	Cost of marketing activities.
Pricing policy	Our employees who are responsible for the procurement of products sold under self-operating model coordinate with suppliers to obtain the procurement costs. Based on such procurement costs, the operations team for such products conducts further research and makes pricing proposal based on a number of factors, such as market price of competing products and our sales strategies in different geographic regions. The managers who supervise the sales of such products review and approve such pricing proposals.	Prices determined by manufacturers and merchants on our platform.
Inventory policy	We maintain inventory efficiently based on our order-driven sales model, where we introduce the products and their benefits to customers and then collect orders from rural customers before purchasing from our partner manufacturers.	We do not maintain inventory.

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	Self-operating Model	Marketplace Model
Logistics arrangements	We are generally responsible for the delivery of products.	Manufacturers and merchants on our platform are generally responsible for the delivery of products or make self-pick-up arrangements with purchasers.
Accounting arrangements	We recognize revenue on a gross basis from the total amount paid by customers for the goods sold on our platform when we are acting as a principal in the course of business.	We recognize revenue on a net basis from service fees paid by manufacturers and merchants transacted through our platform.

The following table sets forth revenue from our self-operating model and marketplace model in absolute amount and as a percentage of our total revenues from agricultural inputs and equipment solutions for the years/periods presented.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in thousands, except for percentages)</i>									
Self-operating model	377,480	100.0	411,700	99.4	745,098	98.5	410,199	99.3	519,330	99.7
Marketplace model	35	*	2,383	0.6	11,028	1.5	2,929	0.7	1,702	0.3
<b>Total</b>	<b>377,515</b>	<b>100.0</b>	<b>414,083</b>	<b>100.0</b>	<b>756,126</b>	<b>100.0</b>	<b>413,129</b>	<b>100.0</b>	<b>521,032</b>	<b>100.0</b>

*Note:*

\* less than 0.1%

We select partner manufacturers and merchants based on a number of factors, including brand recognition, market demand, product quality, pricing and supply capacity. We enter into cooperation agreements with partner manufacturers and merchants, which typically have a term of one year, and reevaluate our cooperation arrangement at the end of the term. Once selected, the products of partner manufacturers or merchants will be displayed on our *Xiangzhu* (鄉助) app and mini-program with detailed descriptions. Leveraging our large customer base, we are able to obtain favorable terms in prices, cash settlement policies, and customer services from our partner manufacturers and merchants. Our extensive cooperation with manufacturers enables us to offer a comprehensive suite of products of known quality and standards on our platform, including saplings, fertilizers, animal feed, pesticides and various agricultural equipment used for field crops, fruit trees, as well as livestock and poultry farming. As of June 30, 2024, we have the ability to provide over 11,000 SKUs related to agricultural inputs and equipment.



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## BUSINESS

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Our ability to provide customers with financing options allows us to quickly scale up our business. Customers of our agricultural production loans whom we are familiar with have recurring needs for agricultural inputs and may decide to purchase agricultural equipment. They are natural users of our agricultural inputs and equipment. We have partnered with a number of leading manufacturers of agricultural inputs and equipment to allow rural customers to lock in prices and supplies during the off-season, coupled with credit options. This approach improves the affordability of agricultural inputs and equipment by restructuring the supply chain and relieves our customers from the need to prepare a large amount of cash for bulk purchases when agricultural production begins. We also offer such credit solutions to small rural business owners who purchases agricultural inputs and equipment. To encourage customers and merchants to purchase such agricultural inputs and equipment, we may decide to subsidize a portion of the interest to reduce their financing cost for a certain period. For example, we offer interest-free period of up to 360 days to customers using our credit solutions. The amount of such subsidy were RMB30.0 million, RMB24.2 million, RMB34.3 million, RMB25.3 million and RMB23.9 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. As of June 30, 2024, we provided credit solutions to 84.8% of customers who purchased agricultural inputs or equipment from our platform.

Our strong technology capabilities and extensive local service network improve the operational efficiency of our logistics process. Under self-operating model, we are generally responsible for the delivery of products and we engage third-party logistics companies to deliver the products to our local branches. To increase efficiency, we have developed proprietary enterprise resource planning (“ERP”) system that covers supply chain management, procurement, storage, sales data management, risk management, finance and operations. In particular, our intelligent logistics back-end system will automatically bundle purchase orders based on manufacturer, origin and destination and generate consolidated shipping orders to ensure that purchase orders from the neighboring areas are shipped in full truckload. Our system will also optimize transportation routes based on features of each shipment to save logistics costs. In addition, we cooperate with a third-party warehousing and logistics company and through integrating our system with theirs, the orders placed to us will automatically be sent to the warehouses based on proximity of destinations. The system records real-time tracking information from shipping requests to delivery completion notice, which enables us to coordinate orders, respond timely in cases of emergency and settle purchase prices with our partner manufacturers based on order information. After the products are delivered to the local branches, our local operation teams arrange the delivery of the products to customers’ villages or door-steps. In this way, we not only bring convenience for our customers and reduce their logistics costs, but also enable our local operation teams to better identify customers’ needs and track their repayment abilities from their visits. Besides delivery by local operation teams, our local branches also offer self-pickup option to customers and engage third-party logistics companies for delivery. Under marketplace model, our partner merchants are responsible for the delivery.

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Providing satisfactory customer experience is a high priority to us. We adopt flexible reimbursement and product return/exchange policies. Our local operation teams help our customers with return and refund for defective products. They also conduct on-site visits with agricultural technicians to assess product quality and help mitigate our customers’ losses. If there are any quality issues with the products, our suppliers are generally responsible for replacement.

We attract customers through our extensive local service network as well as multiple online channels. We upload short videos and livestreaming on social media platforms to promote our products and services. We organize online consultation and Q&A sessions for customers before, during and after sales, and provide technical support to facilitate the use of the products purchased on our platform.

We focus on scaling our business while boosting profit margins. On the one hand, we boost the sales of agricultural inputs and equipment by selling standard agricultural inputs with consistent high demand, such as compound fertilizers and mixed feed. On the other hand, we cater to high-end and professional agricultural producers by offering them specialized products such as premium fertilizers and pesticides. These products can effectively reduce labor costs, mitigate risks of production reduction due to pests and diseases and help them achieve the expected yields. Through meticulous product selection, strategic promotional activities and technology training, such premium products have received positive feedbacks from our customers and external experts. The gross profit margin of our agricultural production services increased from 3.9% in 2022 to 6.6% in 2023. Primarily due to an increase in prices of raw materials and the impact of the COVID-19 pandemic, the gross profit margin slightly decreased from 4.4% in 2021 to 3.9% in 2022. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the total GMV of agricultural inputs and equipment purchased through our platform was RMB419.8 million, RMB954.8 million, RMB1,301.0 million, RMB640.2 million and RMB734.3 million respectively. Primarily due to our business strategy to expand into new geographic market and corresponding promotional pricing strategy where we offered discount to certain products sold on our platform, the gross profit margin decreased from 8.4% for the six months ended June 30, 2023 to 7.2% for the same period in 2024.

The effectiveness of our business model and marketing strategies can be demonstrated by the success of our operations in Inner Mongolia. Prior to our entry into the market, the leading players of online agricultural inputs and equipment market in Inner Mongolia were primarily well-established e-commerce platforms. We began to offer agricultural inputs and equipment in Inner Mongolia in late 2019, when we had already accumulated a large number of credit customers there. Leveraging the trust relationship built with our customers, our local operation teams were able to quickly introduce our customized agricultural inputs and equipment solutions to them. Our abilities in offering quality agricultural inputs and equipment, as well as our installment payment options and agricultural knowledge-sharing services, effectively helped us grow customer base in a short period of time. According to the Frost & Sullivan Report, our online platform is the second largest among online agricultural inputs and equipment supplier in Inner Mongolia as measured by GMV in 2023. Our successful model in Inner Mongolia has been replicated in other geographic areas by leveraging our local operation teams, local talents and digital infrastructure.

## BUSINESS

### Modern Agricultural Management Services

As the application of agricultural technology has not penetrated into many rural areas, small-scale farmers generally lack proper guidance on modern scientific agricultural production method and professional agricultural services. To solve this issue and help small-scale farmers optimize crop growth, health and yield, we modernize the production model for small-scale farmers by leveraging our proprietary *Xiangxin* (鄉信) system and provide them with end-to-end modern agricultural management services, covering planting, fertilization, application of agricultural equipment, pests and diseases control, on top of formulating agricultural inputs and equipment solutions.

Under our modern agricultural management services, small-scale farmers who subscribe for such services can receive our guidance for, or delegate to us for management, certain stages of agricultural production in their land, for a service fee calculated based on the size of farmland and type of crops. In consideration for such service fee, we engage our village-level partners to fulfill the agricultural production stages delegated to us, under the assistance and guidance of agricultural experts. In addition, potential customers of our modern agricultural management services can also enjoy certain complimentary services, such as online consultation with our agricultural experts. We leverage such complimentary services to extend our reach to a large customer base, and we generate revenue through the service fee paid by customers for such integrated services we provide.

The flow chart below illustrates the transaction process of our modern agricultural management services.



Before offering our modern agricultural management services, we conduct research to understand the condition and features of land, crops, and typical farming practices and engage local third-party individuals as village-level partners to promote and perform our services. Based on our research, we, together with agricultural experts we cooperate with, formulate customized agricultural inputs and equipment solutions. At the same time, our village-level partners promote our *Xiangxin* (鄉信) system and scientific farming knowledge, enabling

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interested farmers to establish digital profiles of their lands and crops on our *Xiangxin* (鄉信) system. Through our *Xiangxin* (鄉信) system, farmers can access crop and livestock production solutions, ask questions to agricultural experts and receive farming reminder services for free. If interested, customers can order modern agricultural management services through our *Xiangxin* (鄉信) system. As part of our modern agricultural management services, our agricultural experts promptly reply any technique questions online and come on-site when natural disasters or other unexpected incidents occurs to assess the situation and propose recovery plan, minimizing our customers’ loss.

Our local operation teams are our employees of local branches. They are responsible for identifying and managing village-level partners as well as providing trainings and guidance. Our village-level partners are third-party individuals. They register on our *Xiangxin* (鄉信) system, engage in frequent contact with our customers, promote our modern agricultural management services and perform farming services. We employ agricultural experts and cooperate with external agricultural experts to conduct research on farmland conditions and make crops and livestock solutions. The internal and external agricultural experts are also responsible for answering questions on our platform.

The key terms of agreements among us, our customers, our village-level partners and the agricultural experts are set forth below:

- Key terms with our customers
  - o *Services provided by us to our customers:*
    - For-fee services: Our customers delegate to us certain stages of agricultural production in their land for management. We provide such services by engaging our village-level partners to accomplish the stages of agricultural production in the land of the customers that are delegated to us.
    - Complimentary services: We provide a series of complimentary services including establishing profiles for land and crop, addressing questions from customers, among others.
  - o *Pricing:* The service fee charged to customers is based on the size of farmland and type of crops.
  - o *Termination:* The agreements with customers end once we have completed the performance as specified in customers’ orders.

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- Key terms with our village-level partners
  - *Services provided by village-level partners:* The village-level partners are responsible for performing professional and high-quality farm work on the land of rural residents to help them optimize crop growth, health and yield. Their services include field inspection, application of fertilizer and replenishment of feed, among others. To support village-level partners in their completion of such tasks, we provide village-level partners with agricultural technology guidance, set farm work performing standards and supervise their performance.
  - *Pricing:* Our village-level partners receive a fixed service fee per *mu* of farmland. The service fee is determined based on type of crops, complexity of services and market conditions of local areas. The majority of the service fee is paid on the next day of order confirmation and the rest is paid on the next day of completion of services.
  - *Termination:* The agreement will automatically renew for one year if the performance of village-level partners meet certain standards. Our village-level partners can terminate the agreement upon a 30-day notice.
- Key terms with the agricultural experts
  - *Services provided by agricultural experts:* Agricultural experts are engaged by us to address online or on-site questions from our customers in our modern agricultural management services.
  - *Pricing:* The external agricultural experts receive a base service fee. If the number of questions addressed by agricultural experts in a given month exceeds a certain threshold, such agricultural experts receive additional service fee based on the number of questions.
  - *Termination:* The term of cooperation with external agricultural experts is determined based on mutual agreement.

Our modern agricultural management services are further empowered by our technology capabilities, especially our capabilities in agricultural technology and information technology:

- *Agricultural Technology:* We collaborate with renowned universities and research institutions to introduce newly-developed agricultural inputs and agricultural technologies that have not yet been widely adopted in agricultural productions. We have also established an internal research institution of agricultural experts to incorporate such technology and agricultural inputs into the packages of our modern agricultural management services. We integrate the application of such agricultural technology into the training system for our village-level partners, so that we can equip our large number of village-level partners with technology solutions, which enable them to implement agricultural management services for farmers and improve efficiency and yields of agricultural production.

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- *Information Technology:* Our *Xiangxin* (乡信) system enables us to provide modern agricultural management services by empowering village-level partners with digital tools. Through our proprietary crops and livestock growth model, and functions such as image recognition and big data analytics incorporated in our *Xiangxin* (乡信) system, our village-level partners are able to establish digital profiles of the land of our customers, so that they can keep track of the growth stages of crops and livestock. In addition, our *Xiangxin* (乡信) system connects our village-level partners with our agricultural experts, so that they can seek help from agricultural experts in real time as necessary. Furthermore, our *Xiangxin* (乡信) system sends periodic in-app messages to remind our village-level partners of critical stages of agricultural production and outstanding services assignments, such as field inspection, farm work, application of agricultural equipment and replenishment of feed, which enables them to effectively track and manage their work progress. For details of our *Xiangxin* (乡信) system, see “—Our Technology—Agricultural Technology.” Equipped with effective digital tools and guidance from agricultural experts, our village-level partners are well positioned to accurately implement the modern agricultural management services to a wide range of customers.

With a growing customer base, we are able to consolidate the traditionally fragmented lands and carry out large-scale and efficient agricultural production that combine technology, agricultural inputs and equipment and services to improve yields and production efficiency. Our modern agricultural management services enable rural residents that lack agricultural technology knowledge and resources to receive professional services and guidance and improve the economic benefits derived from their lands. We also facilitate the professionalization of agricultural production and enable more rural residents to find suitable employment positions in their local areas.

Since 2022, we have piloted modern agricultural management services to increase production and income to farmers in 116 counties of Hebei, Shandong, Liaoning, Shanxi and Henan Provinces. As of June 30, 2024, our *Xiangxin* (乡信) system had over 79,000 registered rural customers. As of the same date, we had 116 branches with local operation teams consisting of approximately 3,800 village-level partners for modern agricultural management services. We served over 8,000 transacting customers with over 432,000 *mu* of farmland in the six months ended June 30, 2024, compared to over 11,000 transacting customers with over 102,000 *mu* of farmland in the same period in 2023.

### ***Agricultural Outputs***

Using our nationwide network, we are able to help farmers sell agricultural products in a convenient and time-efficient manner. For example, we purchase agricultural products such as corn and wheat from farmers and provide such products to leading feed companies, extending our selling channels across the entire agricultural value chain and expanding income sources for farmers.

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The chart below illustrates the work flow our services in agricultural outputs:



We started the sale of such agricultural products in the third quarter of 2023. At the inception of our operation, we procured agricultural products from suppliers, which will be examined by us and delivered to the storage arranged by the suppliers. Upon receiving orders from the customers, we instruct the suppliers to arrange delivery to customers, and the customers may conduct their examination on such agricultural products once received. We generate revenue from the sales of agricultural products and recognize revenue on a gross basis after our examination. Our costs include procurement, inventory and logistics costs, and we set the price to our customers on a cost-plus basis by charging a reasonable margin on top of such costs.

Starting from the fourth quarter of 2023, we began to gradually adjust our strategy to be more flexible. Under our current model, we still procure agricultural products from suppliers, but we do not conduct examination on such agricultural products once they are delivered to the storage arranged by the suppliers. Upon receiving orders from the customers, we instruct the suppliers to arrange delivery to customers, and we direct the customers to conduct examination on such agricultural products. The customers confirm the receipts of such agricultural products upon the completion of such examination. Under such model, we recognize service fee on a net basis, which corresponds to the differences between the price we charge our customers and our procurement price from suppliers. As the market for agriculture products is a competitive market, we generally set the price we charge our customers based on market price of such agricultural products.

In the six months ended June 30, 2024, the GMV of the agricultural outputs transacted through our platform was RMB92.6 million. During the period, a total of over 35,000 tons of corn and wheat transacted through our platform.

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## BUSINESS

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### *Agricultural Knowledge-Sharing Services*

We have an unwavering commitment to local communities and carry out this commitment by offering free access to our agricultural knowledge-sharing services on our *Xiangzhu* (鄉助) app. For example, we developed image recognition algorithm for pests and diseases control. Once uploading images of affected crops, our system can automatically identify the pests or diseases at issue with more than 90% accuracy rate to assist our employees and external experts in decision-making, and generate description, prevention and elimination measures based on our big data analytics capabilities for their reference. We also upload short videos on social media platforms to educate farmers of agricultural technologies and tips in agricultural production. In addition, we offer real-time display of the price of agricultural products and livestock in various local markets, enabling customers to search market prices easily and optimize their agricultural production decisions.

We have a dedicated team of in-house agricultural experts and technicians and collaborate with external experts and technicians. We engage these experts and technicians to answer our users’ questions on our platform in an interactive way or provide on-site technology services to our users. External experts and technicians include professors of universities and research institutions and skilled technicians from manufacturers of agricultural inputs and equipment as well as agricultural technology centers.

As of June 30, 2024, over 12,800 agricultural technique-related questions were satisfactorily addressed on our *Xiangzhu* (鄉助) app. In September 2023, we started posting on social media platform to further enhance our efforts in agricultural knowledge-sharing. As of the Latest Practicable Date, the aggregate views of our posts on social media platforms exceeded 1,000 million.

We believe that our agricultural knowledge-sharing services not only effectively help our rural customers solve the problems encountered in agricultural production but also benefit our business by growing our customer base, increasing our customer stickiness and generating demands for our paid services. For example, we can stimulate demand for fertilizers by providing training to rural customers on how to use fertilizers to boost crop yields, which in turn drives the sale of our agricultural inputs and equipment.

### **Rural Consumer Goods and Services**

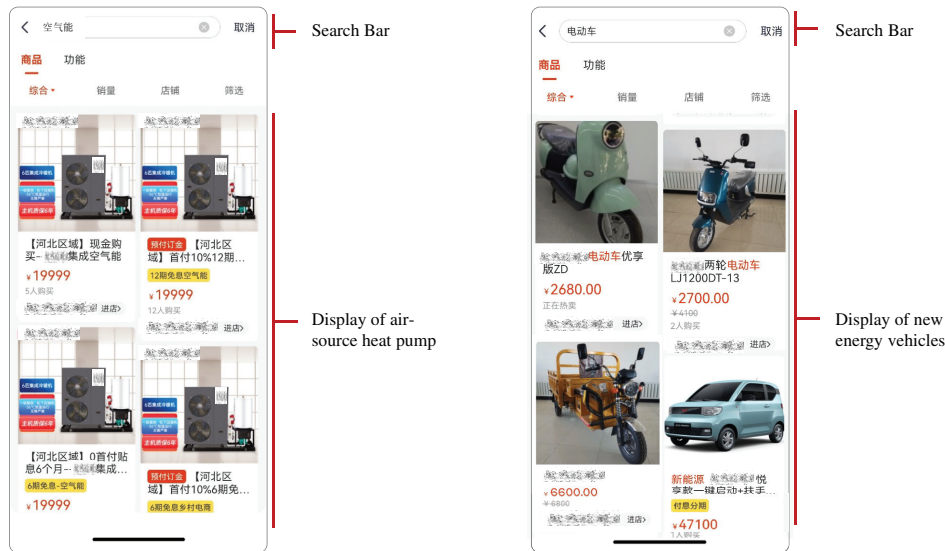
To address rural residents’ rising consumption demands and improve their quality of life, we offer consumer goods, services and digital access to insurance policies that are customized to the needs of rural customers.



## BUSINESS

### Consumer Retail Services

Based on our insights into China’s rural market and rural customers’ needs, we provide to rural customers bulky, heavy and durable consumer goods, which other e-commerce platforms generally do not focus on offering. We primarily offer green durables, such as air-source heat pumps and other green home appliances, affordable new energy vehicles and eco-friendly furniture. An increasing number of rural customers become interested in green durables due to favorable governmental policies on prices. We also offer other consumer goods, such as food, milk and beverage products customized for family/friends gathering. The screenshots below illustrate some of the products sold on our *Xiangzhu* (鄉助) platform:



We operate under two models: self-operating model and marketplace model. Under the self-operating model, we source products from upstream manufacturers or merchants and sell to our customers. We closely monitor our inventory level and implement rigorous inventory management policy. Leveraging our large customer base, we are able to obtain favorable terms in price and after-sale services from upstream manufacturers or merchants. We recognize revenue on a gross basis from the total amount paid by customers for goods sold on our platform when we are acting as a principal in the course of business. Under the marketplace model, we attract qualified third-party merchants to our online marketplace to offer selected, value-for-money merchandise. We recognize revenue on a net basis from service fees paid by manufacturers and merchants transacted through our platform.

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The table below illustrates the features of our self-operating model and marketplace model.

	<b>Self-operating Model</b>	<b>Marketplace Model</b>
Types of products supplied	The products primarily include green durables and fast moving consumer goods.	The products primarily include affordable new energy vehicles and eco-friendly furniture, equipment and tools. Some of green durables are also sold under marketplace model.
Revenue type	We generate revenue from sale of products.	We generate revenue from service fees. We set a base service fee rate generally at 0.2% and manufacturers and merchants may decide to offer a higher service fee rate to promote the sale of their products on our platform.
Cost	Cost of purchasing inventory, logistics and marketing activities.	Cost of marketing activities.
Pricing policy	Our employees who are responsible for the procurement of products sold under self-operating model coordinate with suppliers to obtain the procurement costs. Based on such procurement costs, the operations team for such products conducts further research and makes pricing proposal based on a number of factors, such as market price of competing products and our sales strategies in different geographic regions. The managers who supervise the sales of such products review and approve such pricing proposals.	Prices determined by manufacturers and merchants on our platform.
Inventory policy	We maintain inventory. Please see “—Consumer Retail Services” for details.	We do not maintain inventory.
Logistics arrangements	Either manufacturers and merchants or us are responsible for the delivery of products, depending on the agreement terms of different products.	Manufacturers and merchants on our platform are generally responsible for the delivery of products or make self-pick-up arrangements with purchasers.
Accounting arrangements	We recognize revenue on a gross basis from the total amount paid by customers for the goods sold on our platform when we are acting as a principal in the course of business.	We recognize revenue on a net basis from service fees paid by manufacturers and merchants transacted through our platform.

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The following table sets forth revenue from our self-operating model and marketplace model in absolute amount and as a percentage of our total revenues from consumer retail services for the years/periods presented.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in thousands, except for percentages)</i>									
Self-operating model	91,788	99.7	61,375	71.0	150,292	83.6	54,572	89.0	82,288	79.2
Marketplace model	274	0.3	25,066	29.0	29,490	16.4	6,771	11.0	21,661	20.8
<b>Total</b>	<b>92,061</b>	<b>100.0</b>	<b>86,442</b>	<b>100.0</b>	<b>179,782</b>	<b>100.0</b>	<b>61,343</b>	<b>100.0</b>	<b>103,949</b>	<b>100.0</b>

We implement strict control policies and criteria for admitting merchants to our online marketplace, including qualification requirements as well as risk assessment and monitoring. We also take measures to ensure the accuracy of the product information and the quality of merchandise posted on our platform. We require a deposit from merchants, the amount of which depends on the merchandise category, to guarantee their compliance with our platform’s policies and rules.

Our customers use *Xiangzhu* (鄉助) app and mini-program to browse and purchase selected, value-for-money merchandise. We also sell our products through third-party channels such as *Kuaishou* and *Douyin*. As of June 30, 2024, we provided over 8,200 SKUs related to consumer goods on *Xiangzhu* (鄉助) app and mini-program.

We are committed to providing high-quality customer service. As the transportation infrastructure in rural areas is generally less developed than metropolitan areas, we engage reliable third-party logistics providers to ensure that products are delivered timely and intact. Our local operation teams deliver the goods to the customers’ villages or door-steps when they visit customers to provide convenience for our customers and reduce their logistics costs. They can also respond timely when customers need repair, maintenance or return and effectively liaise with manufacturers when needed to facilitate after-sales services. We cooperate with brand manufacturers to ensure the quality of after-sales services. We adopt flexible reimbursement and product return/exchange policies. If there are any quality issues with the products, our suppliers are generally responsible for replacement.

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We have been exploring, and experimenting on, different business initiatives under our consumer retail services business. For example, we take advantage of the online channels for our consumer retail business, including the *Xiangzhu* (鄉助) app and mini-program, to provide advertisement and promotion services for certain corporate customers for commission. In addition, leveraging on our resources under consumer retail services business, including our proximity to small-scale farmers supported by our local service network, we initiated our grain collection and resell business line in 2020, under which collected grain from local crop providers and sell such grain in bulk to supermarkets or to companies that involve in the sales and trading of grain. We terminated such business in 2022.

Consumer retail services provide cross-selling opportunities of our rural inclusive credit services. As the prices of certain merchandise, such as green durables, are relatively high, we provide credit solutions to prospective customers who have passed credit assessment to improve the affordability of such products. In this way, customers can buy products using our credit solutions and we will pay the full purchase prices directly to our partner manufacturers or merchants. As of June 30, 2024, 71.3% of customers who purchased green durables on our platform used our credit solutions. In addition, we offer financing options to merchants on our online marketplace to fund their purchase from manufacturers. This helps attract more merchants to our platform and expand product offerings of our consumer retail services while facilitating the growth of our rural inclusive credit services. We directly pay the loan proceeds to the manufacturers on behalf of the merchants to ensure the proper use of loan proceeds. Such scenario-based financial service model increased the cross-selling of our products and services.

Launched in 2021, our consumer retail services have achieved continuous growth over the years. In 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, the GMV of our consumer retail services was RMB133.0 million, RMB185.1 million, RMB334.5 million, RMB122.0 million and RMB127.4 million, respectively.

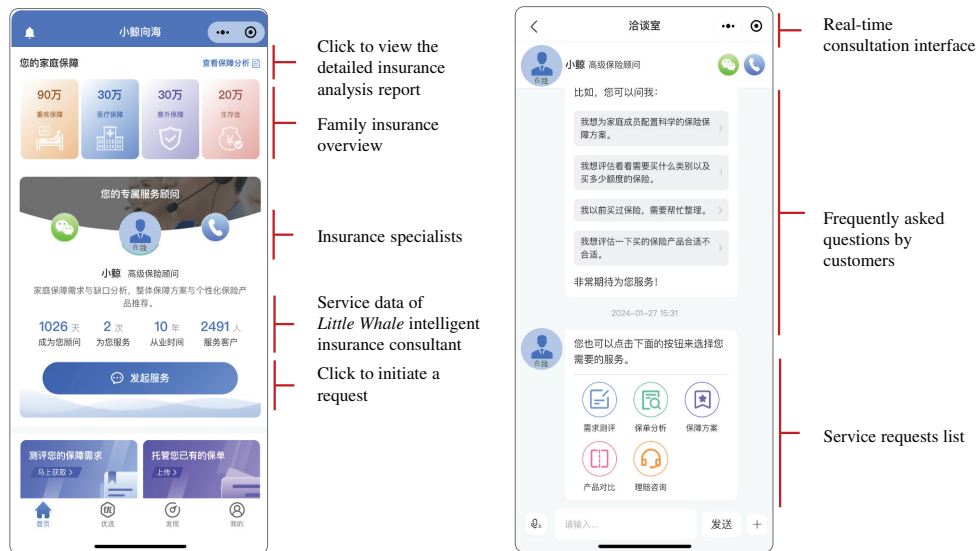
### *Digital Insurance Distribution Services*

The rural insurance market is underdeveloped in China. Rural households, many of whom have never been insured before and are unfamiliar with insurance products, are in need of tailored insurance products to protect them against adverse events. In addressing their needs, we launched *Little Whale* (小鯨向海) platform, which is an online insurance distribution and service platform that can be accessed through our *Xiangzhu* (鄉助) app. We cooperate with 60 insurance companies where we act as an insurance agency to distribute insurance products underwritten by them, primarily including accident insurance, properties insurance, annuity, life insurance and health insurance. We offer integrated insurance distribution services covering each stage before, during and after purchases of the insurance products.

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In addition to the distribution of insurance products, we also provide certain value-added services to help insurance companies customize small-ticket, accessible and practical insurance policies and services that cater to the actual needs of rural residents, by leveraging our decades of experience in the rural market, knowledge of our customers and analytics capabilities. For example, we understand that rural households are usually vulnerable to medical expenses. To enhance their resilience, we help insurance companies design a small-ticket cancer insurance product which has wider coverage and higher cost-effectiveness compared with other insurance products in the market. Benefited from our deep cooperation with insurance companies, we earn the position as sole distributor for such products for a period of time. It offers a lump sum payout once cancer is diagnosed, which is easy for rural customers to understand and make insurance claims when needs arise. In addition, our platform distributes a customized accident insurance product, which insures farmers against accidents in their daily agricultural production activities and various high-risk work they may take during off-seasons with affordable prices. This product effectively protects farmers from significant economic losses due to accidents.

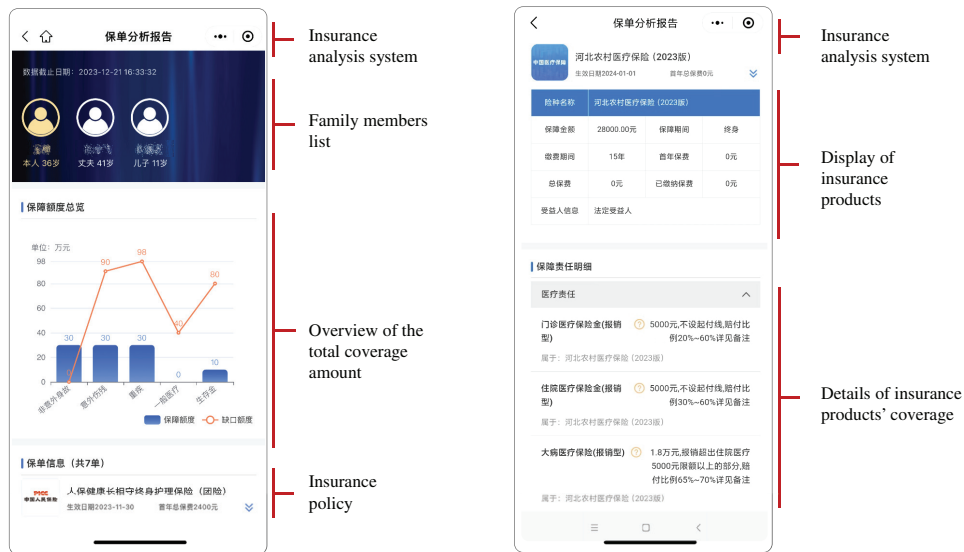
Through our technology-driven *Little Whale* (小鯨向海) platform, we provide our customers access to professional, transparent and convenient insurance services. Our *Little Whale* (小鯨向海) platform provides insurance specialists with 7/24 algorithm-assisted customer service tools, fulfilling a wide range of customer demands from insurance needs assessment, insurance product analysis and management, to after-sale services. These functions can be accessed through our interface page as illustrated by the chart below:



We aim to help customers select suitable insurance products and the first step is to identify their insurance needs. We have developed a digital tool to conduct well-rounded assessment of our customers based on various factors, including their places of residence, occupation, household income and expenses, among others. To ensure the variety and stability of insurance products offered on our platform, for each type of insurance product demanded by customers, including accident insurance, health insurance and properties insurance, among

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others, we distribute a wide variety of insurance products underwritten by multiple insurance companies, and customers are free to choose among such insurance products. When making such choice, customers can refer to our recommendations with respect to the insurance products that we believe can best address their insurance needs, based on the assessment results. We also help customers analyze and manage their existing insurance products. Backed by our analytic tools, we break down complicated insurance terms and present our customers with a clear picture of their current insurance coverage and potential shortage. We also present such information in graphics so that our customers can have a clearer and more comprehensive understanding. Our insurance analysis system is illustrated by the chart below:



Based on analysis of insurance products, our recommendation tools will generate customized insurance solutions leveraging big data and algorithms to assist our employees in decision-making. We provide featured labels and term summary for each insurance product, as well as case studies on the platform to help our customers have a clear understanding of the insurance products at their first glance. We also help customers select suitable insurance products through our insurance comparison tools. If our customers decide to purchase an insurance product, our system will direct the customers to provide detailed information regarding the insured and beneficiary. Upon the completion of the insurance application process, the customers will pay insurance premiums directly to our partner insurance companies.

We empower our insurance specialists with technologies. We offer an integrated app which encompasses insurance products portfolio, customers acquisition and management tools, insurance products recommendation and management tools as well as compensation management tools, enabling them to keep gaining expertise and recommend suitable products to customers.

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As rural customers are not familiar with insurance products, they often face difficulties in making claims, which reduces their incentive to purchase insurance products. Compared with individual customers, we are at a better position in negotiating with insurance companies in claim settlement. To help our customers and the insured grasp the full benefits of insurance, we build a claims team to assist them in analyzing coverage scope, preparing claim materials and liaising with the insurance companies. As of June 30, 2024, we have helped 48,227 insured to make insurance claims. We are committed to making insurance services inclusive and caring. Through collaboration with several insurance companies, we established an insurance charity fund “Protection and Caring of Rural Communities” (“守護鄉愛”) to mitigate the economic and mental pressure of rural customers.

We primarily generate revenue under our digital insurance distribution services from commissions charged to our partner insurance companies for the insurance products distributed by us. As of June 30, 2024, we partnered with 60 insurance companies. The commission income for our digital insurance distribution services is usually determined based on a percentage of the premium paid by the policy holder, and such commission rates vary depending on the features of insurance products distributed by us, which are determined by arm’s-length negotiation with reference to the policies of insurance companies, commission rates our partner insurance companies offered to other insurance intermediaries and the claim settlement ratio of the products distributed by us. We define our customers as purchasers of the insurance policies we distribute. During the Track Record Period, we distributed over 3.7 million insurance policies to a total of 1.88 million customers through our *Little Whale* (小鯨向海) platform, with an aggregate gross written premiums of over RMB932.2 million. In 2021, 2022, 2023, the six months ended June 30, 2023 and 2024, the gross written premiums of our digital insurance distribution services were RMB258.3 million, RMB258.9 million, RMB289.2 million, RMB133.3 million and RMB125.7 million, respectively. To a lesser extent, we also generate some revenue from the abovementioned value-added services provided to insurance companies, such as certain services related to customer education, and services related to market research and analysis, which we provide to insurance companies to better customize and distribute their insurance products. We incur costs of sales under our digital insurance distribution services primarily from commissions paid to individual insurance agents. See “Financial Information—Description of Major Components of Our Results of Operations.”

### ***Other Services***

In addition to our consumer retail services and digital insurance distribution services, we also provide certain other services to address the needs of our customers. For example, we promote products and services of our business partners through our *Xiangzhu* (鄉助) platform and popular media platforms such as *Douyin* and *Kuaishou*.

We allow users to share information on our platform and provide various value-added services to our users free of charge, such as mobile top-up service. Our services aim to make our users’ lives easier and better and drive engagement on our platform, which in turn leads to more transactions on our platform.

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In addition, we provide philanthropy services to the rural communities. We partner with nonprofit organizations, as well as companies seeking to fulfill their social responsibilities. Through our nationwide network, we distribute relief items entrusted to us by our partner nonprofit organizations to the hands of those in need, and help socially responsible companies to empower the rural communities that we serve. These collaborations effectively enhance rural customers’ trust in and relationships with us.

We are exploring new business initiatives. Beginning in the second half of 2023, we offer promotion services through our online platform and local service network. We also engage county-level KOLs for online promotion to supplement the marketing activities of our local operation teams. With our broad online coverage and extensive local service network, we help our business partners improve brand exposure and enhance their customer outreach in rural markets.

### **Rural Clean Energy Services**

Our rural clean energy services promote the use of clean energy and reduce carbon emissions in rural areas through household distributed PV projects. Household distributed PV projects are solar energy generation systems that use PV modules installed on rooftops to convert electricity from solar power. While the clean energy market has undergone significant growth in the past, power grid companies are facing difficulties in finding stable and sustainable electricity suppliers in rural areas. On the other hand, rural areas have vast resources of rooves, presenting substantial growth potential for household distributed PV projects. With our deep roots and established trusts in rural communities, we are well-positioned to collaborate with rural residents and develop long-term relationship with power grid companies in the rural market. In July 2023, we entered into a green loan agreement with the Asian Infrastructure Investment Bank, pursuant to which we were granted a loan with a principal amount equivalent to US\$50 million upon meeting certain conditions to fund our rural clean energy services.

Technology plays a critical role in our rural clean energy services. We use proprietary software system that cover the full lifecycle of the PV projects from customer acquisition, inspection for suitability, project design, internal safety review, construction, inspection and acceptance of completion and ultimately, grid connection to power grid companies. Beginning from the first contact with potential customers, our customer management system records basic information, follow-up communications and executed contracts to facilitate effective customer acquisition and management. After initiation of PV projects, we digitalize the whole construction process, tracking daily progresses on our system to reduce the risks of construction delay. After completion, our proprietary maintenance system shows the connectivity and operation status of the PV modules on a real-time basis so that we can be promptly notified of any issues of the PV modules, identify places of malfunction and take actions in a timely manner. The system also tracks daily electricity generation capacity, solar radiation intensity, full load hours and carbon reduction of each PV module. With such operational data, our system keeps us informed of the operating efficiency and environmental impact, enables us to keep optimizing our maintenance plans and lays ground for future improvement and expansion. Such software system standardizes the construction and maintenance of PV projects, enabling us to effectively manage the rural PV modules and serving as a solid technology foundation for scaling up our business.



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### *Self-owned PV Projects*

We develop and operate our own household distributed PV projects. Through our local operation teams who have close connections with local communities, we increase the awareness of clean energy in rural communities and effectively identify proper rural residents to partner with. We install PV modules on the rooftops that we leased from rural residents by engaging third-party contractors, and generate revenue from selling electricity generated by the PV modules to local power grid companies. We enter into rental agreements with local residents, which generally have a term of 20 years, subject to an option to renew for another five years at our discretion. Before entering into rental agreements, we conduct thorough inspections, such as roof conditions, sunlight time and ownership of the property, to ensure the rooftops’ suitability. With the rental fees paid, our rural clean energy services help rural residents utilize their idle assets, improve their income level without upfront investment on their own, increase their risk resistance capacity and promote a transition towards clean energy in rural areas. We enter into power supply agreements with local power grid companies, which generally have a term of five years, subject to an option to renew subject negotiations between parties, under which we supply the electricity generated by our self-owned PV projects to local power grid companies at the price set by the Development and Reform Commission of the local government.

We launched our rural clean energy services in the third quarter of 2022 and piloted our household distributed PV projects in Liaoning Province and Tianjin. The installed capacity of our PV projects increased from 2.4 MW as of December 31, 2022 to 26.1 MW as of June 30, 2024. Our PV projects are estimated to help rural households increase revenue by an average of approximately RMB4,700 per year.

### *Third-Party PV Projects*

As we accumulate more experience, in addition to developing and operating our own household distributed PV projects, we also provide development, construction and maintenance services to third-party PV projects operated by power grid companies and generate revenue from service fees we charge to such third-party power grid companies. We consider it as a key business model of our rural clean energy services in the future. Our construction agreements with power grid companies for third-party PV projects operated typically include the following material terms.

- *Scope of work:* PV modules design, construction and installation, equipment procurement, and grid-connection support, among others.
- *Project timeline:* The duration of the project is set based on the size of PV projects.
- *Pricing policy:* The price for construction services is usually charged , at a unit price per watt, in proportion to the installed capacity of the PV project. The unit price per watt is agreed upon by negotiation between parties, taking into consideration of the major and ancillary materials to be used, labor costs, tax expenses, among others.

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We generally provide two-year warranty period for our construction services, during which period we do not separately charge any maintenance fee. After that, if our customers are interested in engaging us for maintenance services, we may enter into a separate maintenance service agreement. The maintenance fee in the industry is usually charged at a unit price per watt depending on installed capacity. Since we just launched our construction services in 2023, we have not entered into any maintenance service agreement as of the Latest Practicable Date.

- *Payment terms:* Based on project milestones set forth in construction agreements.
- *Warranty period:* The guarantee period is typically two years.

Leveraging years of operations in rural markets, our experiences that encompass the whole lifecycle of distributed PV projects and our trusted brand and reputation, we are well positioned to achieve win-win cooperation with third-party PV projects. We entered into construction services agreements with certain power grid companies in September 2023, pursuant to which we agreed to develop PV projects in Liaoning Province and Tianjin with an expected installed capacity of 80 MW and a total contract value of approximately RMB260 million.

As household distributed PV projects generally have an operating lifespan of over 20 years, we expect the demand for development, construction and maintenance services will continue to increase with the growth of rural clean energy market. In addition, because household distributed PV modules are generally dispersed and relatively small in scale, many companies are unable to effectively manage their rural PV projects. These companies call for cooperation with those who can offer efficient, intelligent, and data-driven maintenance services. Backed by our strong proprietary maintenance system, we are at an advantageous position in expanding our operation and maintenance services and enhancing our competitiveness.

## OUR TECHNOLOGY

Technology is key to our success and underpins our platform. We have established a robust and efficient digital platform for our customers and built up technological capabilities to empower our operations. Through adopting information technology innovations, we build customer trust, offer valuable products and services, manage risks and constantly create value for customers on our platform. Our technology powers digital mentors to deliver guidance to local operation teams in real time through our proprietary marketing system, which effectively enhances their skills.

Our core technologies include AI, big data analytics capabilities, agricultural technology and technology infrastructure. These technologies are the foundation of all of our businesses, which enable us to serve millions of customers and further diversify our operations securely and efficiently.

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We are committed to empowering our business with technologies. The comprehensive products and services offered on our *Xiangzhu* (鄉助) platform is enabled by our technology infrastructure, AI and big data analytics capabilities. For our rural inclusive credit services, we use big data analytics capabilities and other technologies to improve the efficiency and risk management capabilities. For our agricultural production services, we are able to scale up our agricultural inputs and equipment business backed by Internet infrastructure and technology-powered system for supply chain management. We empower our agricultural knowledge-sharing services with technologies, enabling customer to effectively identify, control and prevent pests and diseases. We also digitalize the process of modern agricultural management services, enabling our local operation teams to effectively manage and track their work progress on the *Xiangxin* (鄉信) system. For our rural consumer goods and services, we use the technology infrastructure to build our *Little Whale* (小鯨向海) platform, where we provide insurance specialists with tools such as customized insurance products analysis, to better fulfill a wide range of customer demands. For our rural clean energy services, we use proprietary software system for whole-life project management of our PV projects, enabling us to keep track of construction and maintenance and quickly take actions upon identifying any issues. See “—Our Services” for further details on how technology empowers our business.

### AI

We have been investing in AI, with a focus on machine learning, image recognition, natural language processing and foundation model, among others. We integrate AI technology with various business processes to develop effective tools that allow us to continuously increase the value we bring to participants on our platform and improve our operating efficiency. Our key applications include:

- *Marketing*: We apply foundation model, which enables our employees to engage in interactive dialogues with our system and its embedded massive corporate knowledge, in our proprietary marketing simulation system where local operation teams can effectively hone their skills with guidance from virtual instructors at any time. We also adopt a customer relationship management (CRM) system that enables our local operation teams to communicate and maintain long-term relationship with potential and existing customers over social media and to label them based on their willingness to purchase our products and services so as to arrange targeted and precise follow-ups.
- *Operational efficiency*: Our image recognition system can identify key information from a wide range of documents such as ID cards, contracts, bank statements and pictures. After identification, our system analyzes such information through algorithms and modeling technologies to empower various aspects of our businesses, such as identity authentication, verification of transaction authenticity, credit applications review and credit amount determination.

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- *Expert decisioning:* We train our technology system to recognize information, learn rules and assist our employees in loan-granting processes. We have applied advanced expert decisioning technology in modules, including intelligent fast loan reviewing, automatic loan amount determination and anti-fraud, to enhance our efficiency and reduce our cost. In particular, we develop a risk control model to identify potential credit risks beforehand, enabling local operation teams to adjust loan strategies and achieve better risk control results.
- *Pests and diseases control:* We train an technology-powered pest and disease identification system, including image recognition technologies, identification models as well as a picture and knowledge database, to help our employees and partner experts better advise our customers in pests and diseases identification and relevant control and preventive measures. We keep optimizing our image recognition model through deep learning.
- *Products and User Experience:* We integrate our knowledge graph into the leading foundation model and optimize training models for our rural inclusive credit services, agricultural production, insurance and internal management. Specifically, we launch a series of digital tools that enhance user-product interaction experience, which optimize customers’ experience in using our platform and enable our employees to grow expertise and horn skills, such as an integrated training and assessment system for our rural inclusive credit services, agricultural technology learning system, intelligent insurance consultant, and system secretary for daily work. Our continuous investments in and development of foundation model optimize learning experience for our employees, improve their operational efficiency and enable them to capture the benefits of technologies.
- *Customer service:* We develop databases that contain professional knowledge across different business sectors such as rural inclusive credit services, agricultural production technology and insurance. Supported by our natural language models, we enable our local operation teams to quickly search the knowledge they need from such databases and address customer request in a timely manner.

### Big Data Analytics

We have invested significantly to ensure the system can process data in an efficient way and developed proprietary algorithms to effectively support our business decisions. Powered by our big data capabilities, our decision center helps process data verifications, which saves thousands of hours in manual processing time. Based on real-time data feedback, our decision center promptly adjusts product design and marketing strategies based on changes in customer preferences, resulting in improved business efficiency. During the Track Record Period, our decision center synthesized over 4,600 data and information feedbacks from local operation teams and generated 10,000 rapid iterations of products and strategies.

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We improve our data service capability through our continuous endeavor in research and development. In 2018, our enhanced risk control systems became operational and realized online user registration, credit assessment and loan approval. Our credit assessment system utilizes an array of analytical techniques and model outputs from traditional multivariate regression to machine learning. The integration of big data decision-making models, customer knowledge graphics, third-party data mining and anti-fraud identity verification technologies allows us to comprehensively consolidate and analyze applicants’ information sourced from our credit database and data relevant to risk assessment supplied by compliant third parties, and enables us to achieve a broader customer coverage, a more comprehensive risk management methods and a higher loan review and approval efficiency. Furthermore, the data we collected from our daily operations allows us to improve our algorithms performance in an uninterrupted way. Based on our accumulated customer insights, we keep optimizing our algorithms and enhancing our operational efficiency and risk assessment capabilities. We have also developed anti-fraud measures based on our dynamic risk management systems and technologies to better identify suspicious behavior patterns and improve our risk control capabilities.

We have accumulated operating data that contain attributes of consumers and merchants on our platform from our operations. Leveraging our big data analytics capabilities, our customer relationship management system analyzes and labels consumers based on their respective traits, enabling local operation teams to conduct timely follow-ups and manage customer relationships effectively. By analyzing such data, we also generate accurate profiles for our customers, which enable us to develop and enhance our decision-making systems, risk detection system and scenario-based insurance products, and design tailored services for our customers.

### **Agricultural Technology**

In response to the pain points in China’s agricultural market, such as scattered agricultural resources as well as a lack of scientific guidance on agricultural production, we have developed our agricultural production services to empower rural residents through agricultural technology. Leveraging our proprietary *Xiangxin* (鄉信) system that connects experts, local operation teams, village-level partners and customers, we provide modern agricultural management services that address the needs of rural customers.

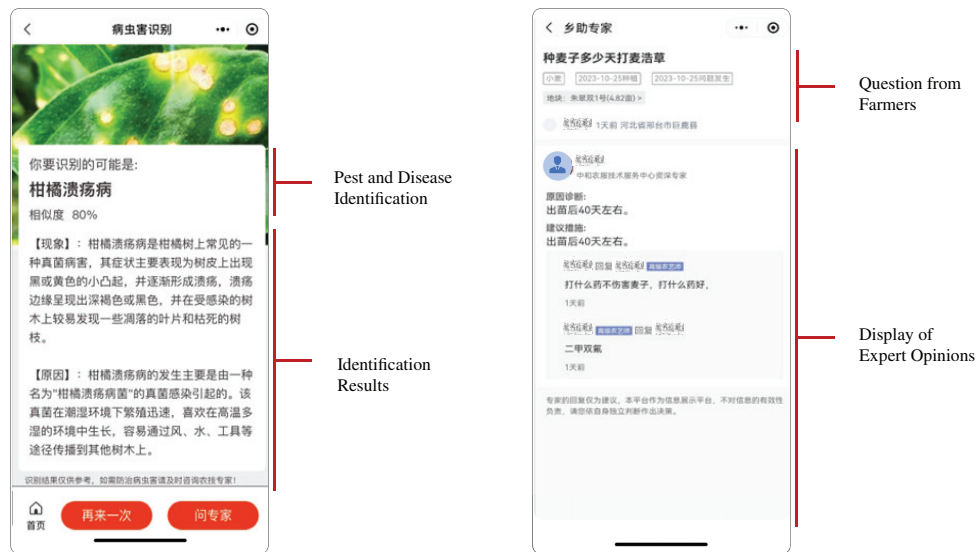
Our *Xiangxin* (鄉信) system enables agricultural services that encompass the entire life cycle of crop and livestock production. Before crop and livestock production, we establish digital profiles for each customer. Our village-level partners upload basic information such as size, shape, information of crop and livestock and historical yields of the lands of our customers into *Xiangxin* (鄉信) system. During crop and livestock production process, based on customers’ digital profiles, our *Xiangxin* (鄉信) system automatically generates crops and livestock growth model and agricultural solutions such as choices of fertilizers, feed or pesticides to be used at different growth stages. For example, leveraging our big data capabilities, we establish crops and livestock growth model which generates respective choices of feed and disease prevention measures tailored to different growing stages based on the characteristics of livestock. In addition, our *Xiangxin* (鄉信) system sends periodic in-app

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messages to remind our village-level partners of critical stages of agricultural production and their outstanding services assignments, such as field inspection, farm work, application of agricultural equipment and replenishment of feed which enables them to effectively track and manage their work progress. Our IoT technologies also enable our customers and village-level partners to track growing stages at any places and be prepared in cases of extreme weathers. Leveraging our remote sensing technologies, we monitor crops in large scale and generate growing stages analysis, historical and regional comparison, alerts and expected yields, which helps our customers take measures timely in cases of pests and diseases and estimate yields more accurately.

We utilize image recognition technology, knowledge graph, database and machine-learning to diagnose issues, answer questions, and provide scientific guidance to our local operation teams and partner experts during crop and livestock production. Our experts, including external experts we cooperate with, actively answering questions through our *Xiangxin* (乡信) system. As pictures can be uploaded along with questions, our experts can better identify and provide solutions to pests, diseases or other agricultural difficulties.

The screenshots below illustrate the features of our *Xiangxin* (乡信) platform:



From our services to customers and cooperation with external experts, our *Xiangxin* (乡信) system have accumulated massive user feedback. Based on such data and our accumulated experience, we will keep investing in the research and development of agricultural technology, improving our technological capabilities at various agricultural stages, better fulfilling the needs of agricultural value chain and ultimately achieving scalable growth.

### Technology Infrastructure

We have built robust technological infrastructure that encompasses cloud-native deployment, microservices architecture, DevOps workflows, and a technological risk system. This infrastructure achieves financial-grade security that supports the transaction needs of our

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large-scale and diverse businesses as well as future development. In addition, we have adopted and enhanced a series of mainstream middleware technologies to build a highly reliable distributed architecture with strong performance, which was validated by large-scale marketing activities and simulated fault drills. This distributed architecture breaks the bottleneck of physical data centers, enabling same-city active-active disaster recovery and remote disaster recovery capabilities. It also decouples microservices from infrastructure using cloud-native and containerization technologies, significantly improving the efficiency of our research and development.

Our technology infrastructure enables us to provide fast and seamless digital experience that meets our customers’ expectations. For example, we have improved user experience in weak network environment, enhancing our customer acquisition efficiency, especially in remote rural areas. In addition, based on this infrastructure, we developed data platform and intelligent analytics engine. The data platform and intelligent analytics engine together support our local operation teams with a suite of purpose-built digital tools, including anti-fraud analysis, pattern recognition, relation network, intelligent analysis and decision aids, in handling loan applications and delivering agricultural production services and rural consumer goods and services to our customers in an efficient manner. We have also built a series of middle platform systems that provide standardized management and customized performance assessments systems for our headquarters and branches across the country in aspects of human resources, compensation, finance and customer relationship management, among others.

## RESEARCH AND DEVELOPMENT

Our research and development efforts primarily focus on improving the user experience of our online platform and existing products and services, designing new products and services for our customers, and optimizing and enhancing our technological capabilities and technology infrastructure. We incurred RMB67.7 million, RMB84.3 million, RMB107.1 million, RMB52.6 million and RMB59.6 million of research and development expenses in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively, accounting for 3.0%, 3.5%, 3.4%, 3.6% and 3.1% of our revenue during the same years/periods, respectively. During the Track Record Period, we incurred total research and development expenses of RMB318.6 million, which accounted for a higher percentage of total revenue relative to our peers.

Our talented research and development team, robust cloud-based technology infrastructure, and multiple core technologies enable us to continuously introduce new innovations. As of June 30, 2024, our research and development team consisted of 231 members, including engineers and specialists of our technology team and product development team. Our technology team includes AI and big data engineers that maintain our database and develop our data technology, security and risk management engineers that focus on cybersecurity and risk control, infrastructure maintenance engineers that maintain the stability of our platform, as well as platform development engineers that develop and implement solutions on our platform. Our product development team includes engineers dedicated to designing and developing the features of our website, mobile application and mini-programs. Our core technologies, such as infrastructure, AI and big data, are developed and maintained by our research and development team. See “—Our Technology” for further details.

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## BUSINESS

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### DATA PRIVACY PROTECTION AND COMPLIANCE

We are committed to complying with data privacy laws and protecting the security of user data. To ensure the compliance with applicable data protection laws, regulations, guidelines and rules, we have implemented stringent internal data protection policies, including our Data Security Management Policy, Personal Information Protection Policy, Employee Data Security Code of Conduct, Information Security Guideline, Information Security Management Policy, Personal Information Security Impact Assessment Management Policy, Information System Emergency Response Policy, Policy for Information System Users and Authority Management and Information Technology Third-party Service Management Policy, among others. We have enhanced our data governance system by establishing an Information Security Management Committee which is responsible for the coordination and management of works relating to privacy and data security within our Company, and we have designated the Committee president as the responsible person for our privacy compliance and data security.

#### User Notice and Consent

We provide our privacy policies to every user of our mobile apps and mini-programs. Such policies describe the purpose and means of data processing, and other relevant privacy protection practices on our platform. Specifically, users are required to acknowledge the terms and conditions of the privacy policies before using our products or services. We provide users with prior notice as to what data are being collected, and undertake to manage and use the data collected from users only for purpose of our products and services.

According to the applicable cybersecurity and data privacy laws, when collecting and processing users data, we are required to either obtain user consent or rely on other non-consent legal basis to ensure the legality and compliance of our data processing activities. For example, the PRC Personal Information Protection Law (“PIPL”) provides that the collection and processing of personal data is exempted from the consent requirement when such collection and processing is necessary to (i) conclude or fulfill a contract in which the data subject is an interested party, or (ii) fulfill statutory duties and responsibilities or statutory obligations. For example, we rely on such exemption to collect and process user data when such collection and processing activity is necessary for the performance of the contracts related to the inclusive credit services or insurance distribution services, or when it is necessary for the fulfillment of relevant know-your-customer and anti-money laundering obligations. While for cases where consent is required, in our online channels, we provide users with privacy notice and personal information authorization letter on various digital platforms where we provide services, such as the *Xiangzhu* (乡助) App, to seek their consents to our collection and processing of their personal information. In our offline operations, we provide borrowers under our rural inclusive credit services with written personal information authorization letter, to seek their consent to our collection and processing of their personal information.



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## BUSINESS

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### Data Collection

In our ordinary course of business, we collect various types of personal information of users to facilitate the provisions of our services and to comply with the applicable laws and regulations. For each of our major service offerings, we mainly collect from users the following types of information, among others:

- **Rural inclusive credit services:** (a) basic personal profiles, such as name, nationality, address, contact information, and national ID number; (b) career information, such as personal education background and occupation; (c) financial information, such as bank account, proof of repayment ability, income and profitability, assets and debts, transaction records, key contracts; (d) device data and online identification data, such as IP address; (e) other information that may help assess the creditworthiness, such as marital status and information on lending-related risks such as records of dishonesty.
- **Agricultural production services:** (a) basic personal profiles, such as name, address and contact information; (b) device data and online identification data, such as IP address; (c) other information, such as information related to agricultural activities.
- **Consumer retail services, under our rural consumer goods and services segment:** (a) basic personal profiles, such as name, address, and contact information; (b) financial and transaction-related information, such as bank account, shopping cart, search history, order history and transaction records; (c) device data and online identification data, such as IP address; (d) other information that are relevant to consumer retail services, such as user reviews and comments posted for past orders.
- **Digital insurance distribution services, under our rural consumer goods and services segment:** (a) basic personal profiles, such as name, gender, address, contact information, and national ID number; (b) career information, such as personal education background and occupation; (c) health information, such as health status, health examination reports, medical records; (d) financial information, such as bank account; (e) device data and online identification data, such as IP address; and (f) other information that are related to the provision of insurance distribution service, such as claim-related incidents, insurance application information, and personal preferences.
- **Rural clean energy services:** (a) basic personal profiles, such as name, address, and contact information; (b) financial information, such as bank account; (c) device data and online identification data, such as IP address; and (d) other information that are related to the provision of clean energy service, such as user feedback and records of malfunctions and repairs.

## BUSINESS

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### **Data Storage and Retention**

We store all of our data in third-party data centers in PRC in accordance with applicable laws and regulations. We retain data of our customers within the period necessary to fulfill the business purposes or to comply with the mandatory retention period as required by relevant laws and regulations. To ensure compliance with such requirements, we will retain the customer data until such mandatory retention period expires even if the users have requested to deactivate or delete their accounts. For example, Article 19 of the PRC Anti-money Laundering Law provides that customer identity information shall be retained for at least five years upon termination of business relationship and customer transaction information shall be retained for at least five years after the transaction is closed, and consequently, we retain customer identity information and customer transaction information long enough to ensure compliance with such requirements, regardless of whether our customers have requested to deactivate or delete their accounts.

### **Data Access and Protection**

We are committed to managing and using the data collected from users in accordance with our data privacy policies and applicable laws and making reasonable efforts to prevent the unauthorized use, loss, or leakage of user data. We will only share our customer data with third party upon their prior consent or otherwise required or permitted by applicable laws and regulations, and such sharing is limited extent that is necessary and required for our business operation and our provision of products and services to customers. We strictly limit and monitor employee access to user data and deploy data loss prevention system to prevent leakage or unauthorized use of data. We provide periodical data privacy training to employees who have access to the customer data and require them to sign a data privacy confidential undertaking. We have a team of data security professionals dedicated to the ongoing review and monitoring of data security practices.

Meanwhile, we use a variety of technologies to protect the data we process, and our credit management system has obtained cybersecurity multi-level protection scheme level III filing. We use various encryption technologies to protect the transmission and storage of personal information. We use vulnerability detecting system, engage third-party cybersecurity companies to conduct system protection assessment and penetration tests, and invite external audit experts to examine, test and identify weaknesses in our system and evaluate its security. Whenever an issue is discovered, we take prompt actions to assess the impact of data loss and leakage, upgrade our system based on our assessment and use our best efforts to mitigate potential problems that may undermine the security of our system.

### **Data from Third-party Vendors**

From time to time in our ordinary course of business, we use data provided by third-party data vendors. For example, in the credit assessment process under our rural inclusive credit services, we collect credit information of the borrowers, such as credit scores and past records of loan applications, from third-party data vendors to enhance our ability to identify potential risks. These third-party data vendors are generally licensed credit agencies or well-renowned financial technology companies with established reputation in the industry.

## BUSINESS

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To ensure the legality of data sourced by third-party vendors, we have implemented various data protection and compliance policies and measures. We choose our third-party data vendors carefully and selectively. In particular, we have formulated our internal policy, Information Technology Third-party Service Management Policy, which provides internal rules and guidance on the management of data compliance risks for data provided by third-party vendors, and stipulates stringent requirements on the onboarding, due diligence and risk assessment of third-party data vendors. Specifically, we adopt the following due diligence measures on third-party vendors to minimize relevant risks: (a) we conduct background check against such vendors and their shareholders, to confirm if they have been subject to material penalties due to non-compliance with applicable data privacy laws and regulations; (b) we check the vendor’s qualification and its business scope approved by competent PRC market administration authorities, (c) we examine the vendor’s certification in data privacy and security; (d) we request the vendor to provide us with samples of documented authorization from relevant data sources, including but not limited to data sourcing agreements and consent letter; and (e) we conduct public media research on vendors’ reputations and business operation. In addition to such due diligence measures, we are also incorporating detailed representations and warranties, covenants and indemnity clauses related to cybersecurity and data protection in our agreements with third-party data vendors.

### **Data Privacy Compliance**

We are subject to various laws and regulations relating to data protection and privacy, and the collection and use of personal and behavioral data in jurisdictions in which we operate. For the details, see “Regulatory Overview—Regulations Relating to Data and Privacy Protection.” We believe our policies and practices with respect to data privacy and security are in compliance with applicable laws and with prevalent industry practices. We have fulfilled cybersecurity multi-level protection scheme filing obligations in accordance with applicable laws for information systems used in our principal businesses. During the Track Record Period and up to the Latest Practicable Date, we have not received any claim from any third party against us on the ground of infringement of such party’s right to data protection as provided by the PRC Civil Code Law or any applicable laws and regulations in the PRC. Our PRC Legal Adviser is of the view that we are in compliance with the applicable PRC laws and regulations relating to the collection, use, disclosure or security of personal data and privacy in all material respects. During the Track Record Period, we did not have any material incidents of leakage of personal data, and had not received any material regulatory inquiries, investigations, notices, warning, penalties, litigations or other legal proceedings in relation to laws and regulations of personal information protection. During the Track Record Period, our internal control consultant had not identified any material deficiency identified on our internal policies and procedures regarding data privacy protection.

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## BUSINESS

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### CUSTOMER SERVICES

We persist in actively improving the quality of our products and services, strive to deliver our services based on customers’ needs, and place a high emphasis on customers’ interest. We engage customer service specialists to handle all kinds of user queries and complaints regarding our products and services. We continuously optimize our internal governance systems, particularly the customer protection system, based on international standards. Our multi-dimensional customer protection system covers all aspects of our products and services offerings, including product design, pricing, transparency, over-indebtedness prevention, fair treatment, data privacy protection, and complaint mechanism. According to a customer survey by Frost & Sullivan, 91.5% of rural customers were satisfied or very satisfied with our service level. We require our customer service specialists to respond promptly to each and every customer complaint. Furthermore, we have applied strict requirements and management measures in selecting manufacturers to make sure our customer receive products and services with guaranteed quality. During the Track Record Period, we did not receive any material complaints from customers.

### CUSTOMERS

While small-scale farmers and small rural business owners constitute a majority of our customers, our customers also include partner banks, insurance companies, and manufacturers and merchants of agricultural inputs and equipment as well as green durables and other consumer goods under platform model, among others.

Revenue from our five largest customers in each period of the Track Record Period amounted to RMB457.7 million, RMB510.3 million, RMB775.9 million and RMB505.9 million, representing 20.6%, 21.0%, 24.5% and 26.4% of our total revenue for the respective periods. Revenue from our largest customer in each period of the Track Record Period amounted to RMB276.5 million, RMB193.7 million, RMB358.3 million and RMB198.4 million, representing 12.4%, 8.0%, 11.3% and 10.3% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risks.

To the best of our knowledge, during each year/period of the Track Record Period, each of our five largest customers were independent third parties of the Group, and none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, owned more than 5% of our share capital) had any interest in any of our five largest customers during each year/period of the Track Record Period that is required to be disclosed under the Listing Rules.

**BUSINESS**

The table below sets out the details of each of our top five customers in each year/period of the Track Record Period:

**For the year ended December 31, 2021**

<b>Rank</b>	<b>Customer</b>	<b>Revenue amount (RMB in thousands)</b>	<b>Percentage of total revenue (%)</b>	<b>Year of commencement of business relationship with us</b>	<b>Principal business</b>	<b>Offerings/products provided by us</b>
1	Customer A <sup>(1)</sup>	276,537	12.4	2019	General commercial banking services	Loan platform, customer referral and post-loan management
2	Customer B <sup>(2)</sup>	54,672	2.5	2018	General commercial banking services	Loan platform, customer referral and post-loan management
3	Customer C <sup>(3)</sup>	51,167	2.3	2021	Insurance services	Insurance agency
4	Customer D <sup>(4)</sup>	50,064	2.3	2020	General commercial banking services	Loan platform, customer referral and post-loan management
5	Customer E <sup>(5)</sup>	25,288	1.1	2020	General commercial banking services	Loan platform, customer referral and post-loan management

**BUSINESS**

For the year ended December 31, 2022

Rank	Customer	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Year of commencement of business relationship with us	Principal business	Offerings/products provided by us
1	Customer A	193,698	8.0	2019	General commercial banking services	Loan platform, customer referral and post-loan management
2	Customer D	191,961	7.9	2020	General commercial banking services	Loan platform, customer referral and post-loan management
3	Customer C	58,295	2.4	2021	Insurance services	Insurance agency
4	Customer F <sup>(6)</sup>	42,215	1.7	2020	General commercial banking services	Loan platform, customer referral and post-loan management
5	Customer E	24,085	1.0	2020	General commercial banking services	Loan platform, customer referral and post-loan management

**BUSINESS**

**For the year ended December 31, 2023**

<b>Rank</b>	<b>Customer</b>	<b>Revenue amount (RMB in thousands)</b>	<b>Percentage of total revenue (%)</b>	<b>Year of commencement of business relationship with us</b>	<b>Principal business</b>	<b>Offerings/products provided by us</b>
1	Customer A	358,294	11.3	2019	General commercial banking services	Loan platform, customer referral and post-loan management
2	Customer D	181,978	5.7	2020	General commercial banking services	Loan platform, customer referral and post-loan management
3	Customer G <sup>(7)</sup>	97,508	3.1	2022	General commercial banking services	Loan platform, customer referral and post-loan management
4	Customer H <sup>(8)</sup>	90,763	2.9	2022	Feed development and livestock production	Agricultural products
5	Customer F	47,397	1.5	2020	General commercial banking services	Loan platform, customer referral and post-loan management

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### For the Six Months Ended June 30, 2024

Rank	Customer	Revenue amount (RMB in thousands)	Percentage of total revenue (%)	Year of commencement of business relationship with us	Principal business	Offerings/products provided by us
1	Customer A	198,383	10.3	2019	General commercial banking services	Loan platform, customer referral and post-loan management
2	Customer G	124,922	6.5	2022	General commercial banking services	Loan platform, customer referral and post-loan management
3	Customer D	97,459	5.1	2020	General commercial banking services	Loan platform, customer referral and post-loan management
4	Customer E	59,083	3.1	2020	General commercial banking services	Loan platform, customer referral and post-loan management
5	Customer I <sup>(9)</sup>	26,087	1.4	2023	General loan services	Loan platform, customer referral and post-loan management

*Notes:*

- (1) A joint-stock commercial bank focusing on providing financial services in Langfang, Shijiazhuang, and Tianjin, which was founded in 2000.
- (2) A privately-owned Internet bank focusing on addressing the financial needs of small and micro enterprises, individual businesses, and farmers, which was founded in 2015.
- (3) A state-holding insurance company focusing on providing property insurance, life insurance, and agricultural insurance, which was founded in 1986.
- (4) A joint-stock commercial bank initiated by manufacturing enterprises focusing on providing financial services in developed cities, which was founded in 1992 and listed in Shanghai Stock Exchange.
- (5) A privately-owned digital bank focusing on inclusive finance in the Yangtze River Delta region, which was founded in 2017.
- (6) A joint-stock commercial bank headquartered in Tianjin focusing on providing financial services, which was founded in 1996 and listed in HKEX.
- (7) A joint-stock commercial bank headquartered in Shanghai focusing on providing financial services, which was founded in 1995 and listed in Shanghai Stock Exchange.
- (8) An agriculture and animal husbandry company focusing on feed, pig breeding, and poultry meat, which was founded in 1998 and listed in Shenzhen Stock Exchange.
- (9) A consumer finance company jointly established by two Fortune Global 500 companies in 2015 and focuses on providing loan services to individuals.



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## BUSINESS

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### Material Terms of Our Cooperative Agreement with Partner Banks

The cooperative agreements we entered into with our partner banks generally include the following principal terms:

- *Duration:* One to three years, automatically renewable or upon mutual agreement.
- *Service fee:* For some of our arrangements with partner banks, we charge a fixed-rate and non-refundable base service fee for referral services and a variable service fee adjustment for the credit performance of the loans referred. For others, we only charge a fixed-rate service fee.
- *Credit product requirements and borrower requirements:* Our cooperative agreements with partner banks also set out several requirements on the credit products and borrowers, including the age range of borrowers, the use of loan proceeds, the cumulative credit line for a single borrower, the credit line for a single application and repayment arrangements.

### SUPPLIERS

Our top suppliers are primarily agricultural inputs and equipment suppliers and marketing service providers. Purchases from our five largest suppliers in each period of the Track Record Period amounted to RMB268.0 million, RMB310.4 million, RMB414.9 million and RMB246.9 million, representing 54.9%, 60.1%, 41.2% and 38.3% of our total purchases for the respective periods. Purchase from our largest supplier in each period of the Track Record Period amounted to RMB89.6 million, RMB98.6 million, RMB155.9 million and RMB86.9 million, representing 18.3%, 19.1%, 15.5% and 13.5% of our total purchases for the respective periods.

To the best of our knowledge, during each year/period of the Track Record Period, each of our five largest suppliers was an independent third party of the Group, and none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, owned more than 5% of our share capital) had any interest in any of our five largest suppliers during each year/period of the Track Record Period that is required to be disclosed under the Listing Rules.

We believe we have sufficient alternative suppliers for our business that can provide us with substitutes of comparable quality and prices. During the Track Record Period, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or disruption to our business as a result of any significant shortages or delays in providing related products or services.

**BUSINESS**

The table below sets out the details of each of our top five suppliers in each year/period of the Track Record Period:

**For the year ended December 31, 2021**

Rank	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship with us	Principal business	Goods/ services provides to us
1	Supplier A <sup>(1)</sup>	89,612	18.3	2019	Manufacture and sale of fertilizers	Fertilizers
2	Supplier B <sup>(2)</sup>	57,449	11.8	2020	Research and development of fertilizers as well as technology services	Fertilizers
3	Supplier C <sup>(3)</sup>	44,347	9.1	2021	Professional agency services and Internet information services	Promotional services
4	Supplier D <sup>(4)</sup>	41,164	8.4	2020	Manufacture and sale of fertilizers	Fertilizers
5	Supplier E <sup>(5)</sup>	35,470	7.3	2020	Manufacture and sale of feed	Feed

**For the year ended December 31, 2022**

Rank	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship with us	Principal business	Goods/ services provided to us
1	Supplier A	98,595	19.1	2019	Manufacture and sale of fertilizers	Fertilizers
2	Supplier C	92,530	17.9	2021	Professional agency services and Internet information services	Promotional services
3	Supplier D	52,260	10.1	2020	Manufacture and sale of fertilizers	Fertilizers
4	Supplier F <sup>(6)</sup>	34,476	6.7	2020	Manufacture and sale of fertilizers	Fertilizers
5	Supplier G <sup>(7)</sup>	32,557	6.3	2020	Manufacture and sale of fertilizers	Fertilizers

**BUSINESS**

**For the year ended December 31, 2023**

Rank	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship with us	Principal business	Goods/ services provided to us
1	Supplier C	155,918	15.5	2021	Professional agency services and Internet information services	Promotional services
2	Supplier H <sup>(8)</sup>	100,089	9.9	2022	Feed development and livestock production	Feed
3	Supplier B	66,646	6.6	2020	Research and development of fertilizers as well as technology services	Fertilizers
4	Supplier I <sup>(9)</sup>	51,958	5.2	2022	Manufacture and sale of alcoholic beverages	Alcoholic beverages
5	Supplier J <sup>(10)</sup>	40,262	4.0	2022	Manufacture and sale of fertilizers	Fertilizers

**For the Six Months Ended June 30, 2024**

Rank	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase (%)	Year of commencement of business relationship with us	Principal business	Goods/ services provided to us
1	Supplier H	86,902	13.5	2022	Feed development and livestock production	Feed
2	Supplier K <sup>(11)</sup>	58,728	9.1	2023	Professional agency services and Internet information services	Promotional Services
3	Supplier D	50,708	7.9	2020	Manufacture and sale of fertilizers	Fertilizers
4	Supplier C	26,916	4.2	2021	Professional agency services and Internet information services	Promotional services
5	Supplier I	23,669	3.7	2022	Manufacture and sale of alcoholic beverages	Alcoholic beverages

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*Notes:*

- (1) A comprehensive fertilizer company focusing on the whole industry chain of resource, R&D, production, distribution, and agrochemical services, which was founded in 1993 and listed in HKEx.
- (2) A fertilizer company focusing on the compound fertilizer industry, which was founded in 1995 and listed in Shenzhen Stock Exchange.
- (3) A software and information technology service company focusing on corporate management and market research, which was founded in 2020.
- (4) A phosphatic compound fertilizer company focusing on phosphatic compound fertilizer, new energy materials, fine chemicals and phosphogypsum building materials, which was founded in 1982 and listed in Shenzhen Stock Exchange.
- (5) A feed company focusing on producing compound feed and concentrated feed, which was founded in 2015.
- (6) An agricultural inputs company focusing on fertilizer, feed, seed and pesticide, which was founded in 2008.
- (7) A fertilizer company focusing on compound fertilizer, organic fertilizer, organic-inorganic compound fertilizer, and biological organic fertilizer, which was founded in 2005.
- (8) An agriculture and animal husbandry company focusing on feed, pig breeding, and poultry meat, which was founded in 1998 and listed in Shenzhen Stock Exchange.
- (9) A liquor company focusing on alcoholic products, which was founded in 2017.
- (10) A coal-based urea and compound fertilizer producer, which was incorporated in 2006 and listed in HKEx.
- (11) A software and information services company primarily engaging in the professional agency services and Internet information services, which was founded in 2021.

### **Material Terms of Our Procurement Agreement**

Our procurement agreements with suppliers of agricultural inputs typically include the following material terms.

- *Duration:* Typically one year and renewable on an annual basis.
- *Quality requirement:* We require the products to satisfy all relevant national and industry standards as well as our internal standard laid out in the agreement. The suppliers generally shall compensate us in the event of breach.
- *Transportation:* We are generally responsible for the transportation.
- *Product returns:* The suppliers are generally liable for any product defect and responsible for the return of exchange of merchandise which are proven to be defective.
- *Settlement:* We generally make full payments before the orders are shipped from our suppliers.

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## BUSINESS

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### OVERLAP BETWEEN MAJOR CUSTOMERS AND SUPPLIERS

During the Track Record Period, one of our major customer, Customer H, is also our major supplier, Supplier H. The principal business of this company is feed development and livestock production. During the Track Record Period, as part of our agricultural production services, we sell agricultural products, such as corn, to this company as raw materials for its feed production. In addition, we purchase feed from this company and sell to customers for livestock production. We believe such arrangements are fair, reasonable, on normal commercial terms and determined on an arm’s length basis. In 2021, 2022, 2023 and the six months ended June 30, 2024, the revenue generated from this company represented nil, nil, 2.9% and nil of our total revenue, respectively, and the purchase amount attributable to this company represented approximately nil, nil, 9.9% and 13.5%, respectively, of our total purchases for the corresponding periods.

### COMPETITION

The rural market we operate in is fragmented and largely underserved. We may face competition in each of our business lines. In terms of our rural inclusive credit services, our potential competitors include traditional financial institutions, such as commercial banks and rural credit cooperatives and non-traditional financial institutions, such as microcredit companies and Internet finance platforms. In terms of our agricultural production services, we may compete with online e-commerce platforms, brick-and-mortar vendors, local chain outlets and outlets of manufacturers. We may compete with online e-commerce platforms and brick-and-mortar vendors in offering green consumer durables and other goods and may compete with commercial banks, insurance intermediary companies and other insurance distribution channels in our digital insurance distribution services. In terms of our rural clean energy services, our potential competitors include new energy companies and large electric power companies that run PV projects.

We were the largest non-traditional financial institution targeting China’s rural market in terms of total loan balance as of December 31, 2023, according to the Frost & Sullivan Report. In terms of GMV in 2023, we were the sixth largest agricultural inputs and equipment e-commerce platform in China, and we ranked the first among all agricultural inputs and equipment e-commerce platforms that target China’s rural market, which altogether accounted for approximately 10.6% of the total market size of agricultural inputs and equipment e-commerce platforms in China, according to the same source. We believe that our brand reputation, our efficient operations and our large customer base differentiate us from our competitors. The key success factors of our businesses include the scale and quality of our local service network as well as our technology-enabled service excellence, our technology and risk management capabilities, and the depth and breadth of the services we offer. We believe we are able to compete effectively against our competitors based on the above factors. However, some of our existing and potential competitors may have greater financial, technical and marketing resources than we do. For risks relating to our competitiveness in the industry, please see “Risk Factors—Risks Relating to Our Business and Industry—We face intense competition in rural inclusive credit industry, agricultural production service industry, rural consumer goods and services industry and rural clean energy industry, if we do not compete effectively, our results of operations could be harmed.”

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## BUSINESS

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### ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Our business originated from a cooperative pilot project established by the State Council and the World Bank in 1996, which aimed to alleviate poverty in China through various means including microcredit. From the very beginning, we are a company with strong social responsibility and have been committed to environmental, social and governance (“ESG”) and corporate social responsibility (“CSR”) objectives. We integrate ESG and CSR concepts into every aspect of our business and corporate governance, aligning our own growth mission and vision with the national strategy for “rural revitalization”, the carbon peak and carbon neutrality goals, and the United Nations Sustainable Development Goals. To promote sustainable development of agriculture, rural communities and farmers as well as environmental protection initiatives such as energy conservation and emissions reduction, we adopt strategies catered to rural culture and customers and offer diversified services to empower rural residents such as credit services, agricultural inputs and equipment, green durables, agricultural knowledge-sharing and agricultural technology supporting. Thereby we promote scientific agricultural production, improve the living qualities of the traditionally underserved rural residents and add value to overall social and economic benefits.

#### Environmental Protection and Carbon Neutrality

We actively support China’s national goal in cutting carbon emissions in each and every aspect of our business:

- Rural inclusive credit services: We evaluate and impose limits against lending to businesses which have material adverse impact on climate and environment. This is achieved through establishing an exclusion list, implementing compliance investigation policies, and incorporating keyword screening in relation to loan purpose and assessment module into our credit assessment system. We incorporate rural inclusive credit services into agricultural production and rural consumer goods and services, offering credit solutions for purchasing energy-saving appliances and quality agricultural inputs.
- Agricultural production services: In crop and livestock production, we strongly support the development of green agriculture with our operating model that fully integrates online and offline operations. We share advanced agricultural knowledge and technologies with farmers via mobile apps and quickly identify and provide consultation services on issues they encounter in agricultural production with image recognition and big data technologies. In addition, our agricultural experts regularly visit the regions where we operate and provide farmers with on-site guidance. We enable farmers to properly apply organic fertilizers and soil conditioners while reducing the use of chemical fertilizers, which enhances soil conditions, improves yields and promotes a more eco-friendly agriculture in China. According to our experimental results in test fields, our green agricultural technologies can increase the yields by 7% while reducing the use of chemical fertilizers. In addition, we

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implement and continuously upgrade pests and disease control plans based on our analysis of historical information of weather, pests and diseases, enabling farmers to take precautionary measures instead of the traditional way of after-the-fact handling, which effectively reduces the use of pesticides. In response to climate change, we also alert farmers of extreme weather and provide relevant guidance, helping them to take proper agricultural management measures and reduce losses. We provide end-to-end agricultural technology management services to promote the modernization and sustainable development of agricultural production. We offer solutions such as centralized management of dispersed farmland, automation technologies that alleviate farmers’ dependence on manual labor and other advanced agricultural technologies to enhance sustainable productivity.

- Rural consumer goods and services: We have established our online direct sales business and online marketplace with an emphasis on providing green consumer durables in China’s rural areas. We help China’s rural areas to adopt products with greater energy efficiency, utilize clean technology and/or clean energy, such as electric vehicle and air-source heat pump, reducing carbon footprint and mitigating climate-related risks. Historically, rural residents primarily used coal-fired power system, which had low efficiency accompanied with a large amount of air pollutant. While government has encouraged the usage of clean energy, it is hard to implement in some areas due to local economic condition and lack of distribution channels. Cooperating with clean energy companies, we have brought air-source heat pumps to vast rural households through our consumer retail services with our credit solutions, improving both the living quality of rural residents and local environment condition. As of June 30, 2024, we helped over 1,790 rural households complete the installation of air-source heat pumps, which would help reduce approximately 8,000 tons of carbon emissions each year.
- Rural clean energy services: Since 2022, we have facilitated the usage of clean energy through generating electricity by PV modules. As of June 30, 2024, our installed capacity had reached 26.1 MW, which reduced over 26,000 tons of carbon emissions, while simultaneously increasing the annual income of rural residents. See “Our Services—Rural Clean Energy Services” for details.

In our daily operations, we track our carbon footprint regularly as well as launch green education initiatives to reduce our carbon emissions. We conduct our operation primarily in a paperless manner, enable video conferences and promote the use of energy-saving lights and appliances. We organize green volunteer activities in rural areas such as picking up trash, planting trees and conducting environmental protection advocacy to improve local environment and people’s awareness of environmental protection.

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### *GHG Emission Metrics and Targets*

We have evaluated quantitative data that reflects our ESG performance. Since 2022, we have been collecting and tracking environmental KPIs, which include energy consumption, greenhouse gas emissions and other indicators. During the Track Record Period, the relevant details of our energy and carbon emissions are set forth below<sup>(1)</sup>:

	For the Year Ended		For the
	December 31,		Six Months
	2022	2023	Ended
			June 30,
			2024
Gasoline consumption (tons)	774	849	446
Electricity Consumption (MWh)	2,215	2,687	1,207
Heat Consumption (Gigajoules)	36,390	38,543	22,938
Greenhouse gas emissions (Scope 1) (metric tons of CO <sub>2</sub> e)	2,325	2,980	1,339
Greenhouse gas emissions <sup>(2)</sup> (Scope 2) (metric tons of CO <sub>2</sub> e)	5,290	5,527	3,211
Greenhouse gas emissions (Scope 1 and Scope 2) (metric tons of CO <sub>2</sub> e)	7,615	8,507	4,550
Greenhouse gas emission intensity (Scope 1 and Scope 2) (metric tons of CO <sub>2</sub> e/per employee)	1.13	1.10	0.56

*Notes:*

- (1) The data above covers those for our headquarters, regional offices and branches. The calculation was based on the actual data collected from a portion of locations and estimation using reasonable assumptions, which might result in certain limitation and deviation.
- (2) According to the “Notice on Key Work Related to the Management of Enterprise Greenhouse Gas Emission Reports in 2022” promulgated by the Ministry of Ecology and Environment, the grid emission factor used in the greenhouse gases (Scope 2) calculation in 2022 is 0.5810t CO<sub>2</sub>/MWh; according to “Notice on the management of greenhouse gas emission reports for enterprises in the power generation industry from 2023 to 2025” promulgated by the Ministry of Ecology and Environment, the grid emission factor used in the greenhouse gases (Scope 2) calculation in 2023 and June 30, 2024 is 0.5703t CO<sub>2</sub>/MWh.

In terms of greenhouse gas emissions (Scope 3) along our value chain, with reference to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, we have preliminarily identified our main Scope 3 emission categories, including “Category 1—Purchased Goods and Services”, “Category 6—Business Travel”, “Category 7—Employee Commuting”, “Category 8—Upstream Leased Assets”, among others. Our management has appointed responsible personnel to monitor the our energy and carbon emissions performance, and is expected to formulate a carbon emissions management taskforce that covers Scope 3 emissions prior to the [REDACTED] and addresses the following issues: (a) taking the lead in measuring “Category 6—Business Travel” and “Category 7—Employee Commuting” within



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2025; (b) regularly tracking employees’ daily commuting methods and distance; (c) keep track of information on employees’ travel through high-speed rail and flight, including class and mileage, among other. We will also encourage employees to adopt environmental-friendly travel methods to reduce our Scope 3 greenhouse gas emissions.

Given the nature of our business, we consider greenhouse gas (GHG) emissions intensity to be a key indicator for assessing our ESG performance. We are committed to continuously exploring ways to reduce the environmental impact of our business operations and have set the following ESG-related target with quantified metrics: taking 2023 as the base year, we aim to reduce our greenhouse gas emission intensity (Scope 1 and Scope 2) by 2%, 2% and 1% respectively in 2024, 2025 and 2026, measured in metric tons of carbon dioxide equivalent per employee. We have taken many measures to reduce our energy consumption and carbon emissions, and continue to work towards that goal, including: (1) adopting measures such as energy-saving lighting and intelligent lighting control systems to reduce lighting energy consumption; (2) promoting online offices and online meetings to reduce energy consumption; (3) choosing sustainable materials for office renovation and reusing old equipment; (4) promoting the concept of a green office to employees to raise their environmental awareness; and (5) encouraging branches to choose new energy vehicles when replacing official vehicles.

### **Social Responsibility**

We uphold social responsibility as our core value, and have been dedicated to social responsibility since our inception. We focus on serving underdeveloped regions which do not enjoy sufficient local services. With a focus on both economic benefits and social welfare, we promote our business along with the development of the rural market in China:

- Rural inclusive credit services: Lack of sufficient credit support has been a pain point widely faced by rural customers. Our rural inclusive credit services address the immediate credit demand of our customers for production and operation purposes, helping the traditionally underserved population obtain the credit solutions they need and supporting small-scale farmers in developing production and increasing income. As of June 30, 2024, among customers who obtained loans through our platform, 89.2% were small-scale farmers, 64.4% have an education level of middle school or below and 18.8% were ethnic minorities; as of the same date, the Female Participation Rate of our rural inclusive credit services was 65.9%. The average age of our customers, including principal borrowers and their co-borrowers, was 41.4 years old. Empowering local operation teams with advanced digital technologies, we are able to reach more rural customers, make our products and services easier to use and optimize users experience. We support the development of small rural business owners with credit solutions. As of the same date, a total of approximately 115,000 sole proprietorships obtained credits through our platform. In addition, we educate our customers with financial knowledge, including introduction of different credit solutions, anti-fraud and personal information protection, among others, and get them familiar with the functions of digital products and tools and better capture the benefits of digital economy.

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- **Agricultural production services:** We stay close to the production needs of rural customers. Based on local environment as well as the distinct growth features and stages of crops and livestock, we cooperate with reputable manufacturers to provide rural customers with high-quality and value-for-money agricultural inputs with scientific composition and equipment to lower their production cost and enhance productivity. Moreover, in the course of offering high-quality agricultural inputs and equipment, we further develop technology management model and standardized service solution, and through leveraging our rich agricultural technology resources, provide online training sessions, image recognition tools which helps our employees to identify issues through our technologies, and in-person expert services to help customers solve issues during the production process. As of June 30, 2024, we organized over 500 agricultural technology lectures with over 13,000 attendances. As of the same date, we solved over 12,800 agricultural technological inquiries under the questions and answers section on our *Xiangzhu* (鄉助) app. We actively promote green agricultural production, mitigating the excessive usage of fertilizers and pesticides. Meanwhile, we also explore and strengthen agricultural outputs sales channels for rural customers to give our customers access to the market after harvest.
- **Rural consumer goods and services:** Leveraging our platform and service capability, we offer rural customers with value-for-money consumer goods and durables. Through our operating model that fully integrates online and offline operations, we build the bridge between rural customers and suppliers and provide the rural market with diversified consumption channels, products with assured quality and more eco-friendly consumption options, improving the life quality in rural areas and the wellbeing of rural residents. We increase the affordability of green durables such as new energy vehicles and air-source heat pumps by offering credit solutions. As of June 30, 2024, approximately 71.3% of customers who purchased green durables on our platform used our credit solutions. In addition, with years of experiences in serving rural market and equipped by our big data and other technologies, we endeavor to select and promote insurance products that are suitable for rural customers through our digital insurance distribution services, improve rural customers’ insurance awareness, and offer assistances to rural customers in receiving reasonable compensation from insurance claims. For example, we hold in-person seminars to help our customers better understand insurance products and choose suitable ones. During the Track Record Period, we had distributed insurance products to a total of 1.88 million customers. We are committed to making insurance services inclusive and caring. Cooperating with several insurance companies, we established an insurance charity fund “Protection and Caring of Rural Communities” (“守護鄉愛”) to mitigate the economic and mental pressure of rural customers when they are unable to receive reimbursement due to exclusion clauses, such as failure to meet insurance deductibles due to poverty.

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- Rural clean energy services: Through partnering with rural residents, our rural clean energy services help increase their income level without any upfront investment on their own. See “—Our Services—Rural Clean Energy Services.” Our installed PV capacity reached 26.1 MW as of June 30, 2024, which is estimated to help rural households increase revenue by an average of approximately RMB4,700 per year. In addition, by engaging local contractors for engineering and construction services, we have improved local employment opportunities.

With the idea of “to teach someone how to fish is better than to just give him a fish”, we are committed to empowering our customers through business and operation trainings. In addition to integrating financial and agricultural technology education into our daily operations, we cooperate with an integrated energy company, and introduce small- and micro-enterprise development programs for four consecutive years, which contain comprehensive and systematic management trainings, to 122 small rural business owners as of June 30, 2024. These programs feature 159 online training sessions totaling 238.5 hours and offline training and tutoring totaling 228 hours. In addition, we encourage rural residents to join as village-level partners, which enables them to earn additional income while enhancing our connection with rural communities. Furthermore, in 2022, we initiated a rural entrepreneurial empowerment project, which provides trainings on village governance, talent development, and business expansion to improve rural residents’ earning abilities and facilitate the development of local industries. As of June 30, 2024, our project had covered over 300,000 rural residents.

We actively make contribution to charitable activities and social welfare. In 2010, we cooperated with CFRD to found Chongho Charitable Initiative, which strives to support our customers and residents covered by our local service networks with charitable aid. Chongho Charitable Initiative receives donation from our employees, business partners and customers. In some cases, we make corresponding donation in an amount equal to our employee’s donation to Chongho Charitable Initiative. We provide insights to the disbursement of aid under Chongho Charitable Initiative based on our profound understanding of the needs of rural residents and decades of trust cultivation in the rural market. Since the beginning of 2017 and up to June 30, 2024, Chongho Charitable Initiative had offered aids in an amount of RMB4.0 million to over 2,100 individuals. In 2022, we initiated a charity initiative with our partner insurance companies, which provides charitable subsidies to certain of our insurance customers in the event they encounter difficulties and accidents that are not claimable under their insurance policies. Please see “—Rural Consumer Goods and Services—Digital Insurance Distribution Services.” Meanwhile, we established Chongho Rural Development Promotion Center to manage our charitable activities.

We strive to provide employees with comprehensive social benefits, a wide range of career development opportunities and safeguard employee rights. We promote a diverse and inclusive work environment with clear anti-discrimination and anti-harassment principles, strictly forbidding any form of unfair treatment due to factors including, gender, ethnicity and age. The majority of our employees are recruited from local rural communities. As of June 30, 2024, 37.1% of our employees were over 40 years old, 48.8% were female and 11.7% were

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ethnic minorities. As of the same date, the average age of our employees was 38 years old and over 7,200 of them came from local rural communities. In addition, we offer fair and clear career development path and promotion track for all of our employees, and provide various training opportunities to enhance our employees’ capabilities, including tailored know-how training designed for different positions. As of June 30, 2024, we organized over 2,100 in-person training sessions with 52,000 learning hours and 102,000 attendances. As of June 30, 2024, we offered 875 online courses to our employees. We also held 411 livestream courses in more than 640 hours and 497,000 views. We regularly conduct anonymous employment satisfaction surveys to all employees and promptly optimize management approach based on their feedback. In 2023, the response rate was 91.3%, with an overall satisfaction rate of 89.8%. Our efforts to create a positive work environment have effectively increased employee stickiness. As of June 30, 2024, our core employees have an average tenure of 7.9 years. In 2023, the turnover rate of our core employees was 4.1%.

We took a proactive role to protect our employees and customers during the COVID-19 pandemic from 2020 to 2022. We strengthened sanitation management, provided medical supplies and enabled employees to work from home to protect their health and safety. We also adjusted repayment schedule for customers suffering difficulties as a result of the COVID-19 pandemic to mitigate their economic and mental pressure. Despite the shortages in supply chain capacity during the COVID-19 pandemic, we continuously provided fertilizer at affordable prices to rural communities, which was essential to the spring ploughing. We actively promoted the agricultural products of our customers when the pandemic disrupted their sales. In addition, we coordinated vegetable sources and vehicles to ensure the vegetable supply in urban areas. We actively participated in charity and volunteer activities. Amid the pandemic crisis, our Chongho Charitable Initiative responded quickly to funding approval requests, which enabled fast approval and disbursement of funds of RMB1.85 million to people in need, including rural households that suffered economic losses due to the pandemic.

### **Corporate Governance and ESG Policies**

As a mission-driven institution, our Directors believe that the establishment and implementation of the ESG management system based on principles of sustainable development is critical to our business and will increase the value of our Group and provide long-term returns to our stakeholders. We have established a set of policies on ESG (“**ESG Policies**”) based on international standards, which provide guidance on implementing ESG values in our daily operations, and establish a system to formulate, execute and oversee the implementation of our ESG Policies. Our shareholders include several internationally renowned investment funds, who share their own standards and expertise with us and help enhance our operational and management capabilities. We believe the diversity of our Board, senior management and employees contributes to our successful implementation of the ESG policies. Pursuant to our ESG Policies, our Board undertakes its duty of care to manage and ensure that our Company fulfills its social and environmental responsibilities. Our Board plays a critical role in identifying, evaluating, and managing the impact of material ESG risks.

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We established the ESG strategy committee of the Board, the ESG leadership group at senior management level and the ESG Advisory Committee, which provides us with professional advice, to work together to implement effective ESG matters and to maintain close communication with our Board on ESG matters.

- Our ESG strategy committee is comprised of board members, which is responsible for managing and supervising our overall ESG matters, such as formulate our ESG strategies and goals, assess the effectiveness of our ESG policies and initiatives and make sure they fit our development path and comply with relevant laws, regulations and industry standards. The responsibilities of our ESG strategy committee also include evaluating the issues in respect of our Company’s ESG, including climate-related risks and opportunities, review our Company’s ESG reports and make recommendations to our Board on the ESG strategy.
- Our ESG leadership group is comprised of senior management members of the Company, including our Chairman of the Board and CEO, Dr. Liu, who serves as the leader of such group, and our Executive Director, and chief financial officer, Ms. Li Zhen. The ESG leadership group helps our Board stay informed of, and actively participate in discussions on, major ESG matters of our Company in a timely manner. The ESG leadership group is responsible for organizing and formulating ESG work plans, identifying and controlling ESG-related risks, providing guidance on the preparation of ESG reports, and other related work responsibilities. The ESG leadership group reports its work to the ESG strategy committee in the form of a work report at least once a year. Material matters are presented in the form of proposals for review by the Board, who make decisions and provide feedback and guidance.
- Our ESG Advisory Committee is composed of external experts. The ESG Advisory Committee is routinely involved in the discussion of the Group’s ESG matters through on-site or online meetings and provides professional advice on relevant issues, including the Group’s ESG vision and strategy, ESG work plan, ESG report, among others. The ESG Advisory Committee also attends meetings of the ESG strategy committee and the ESG leadership group on ESG matters at least once a year.

We manage our ESG-related risks by incorporating ESG-related risk factors into the management system for the daily operation of our Company. Our Board is responsible for formulating risk management strategies, approving major risk management policies and procedures, and assessing the levels of various risks, including ESG-related risks, and deciding on mitigation measures for supervision and evaluation. Our senior management is responsible for formulating, evaluating and optimizing risk management policies and procedures, assessing the comprehensiveness and effectiveness of our risk management system, and evaluating the status of various important risks, including ESG-related risks, to prepare for the reporting to the Board. In response to ESG-related risk factors in credit business, we have formulated our internal policy proposal, the Social and Environmental Risk Management Policy for Credit Products, which stipulates that ESG factors should be taken into consideration as important prerequisites for credit approval in our business. This policy has been submitted to our Board for review and approval in May 2024.

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Our ESG Policies are formulated on the basis of our business and development goals. To ensure each department incorporates sustainability principles into their operations, we have integrated ESG principles into our performance evaluation system by designing KPIs related to social benefits, risk management, and long-term employee development. We continuously refine our ESG performance management to better reflect our sustainability goals and to drive performance improvement. In addition, we have set a sustainability award to recognize teams that actively participate in philanthropic activities, in order to motivate employees to integrate the philosophy of sustainable development into our corporate culture and daily operations.

We maintain a high standard on business risk and compliance management. We have in place a set of risk management and compliance policies, covering key aspects and procedures of our operation. See “—Risk Management.” Integrity is one of our core values, to defend this value, we have formulated and strictly executed anti-corruption measures to prevent our employees from engaging in corruptive activities and rectify inappropriate business practices. We conduct periodic corruption risk assessment on our branches and organize anti-corruption training for our employees. We have established a strict internal control system that ensures compliance and security through detailed operational procedures and supervision mechanisms. We set risk indicators and employ an intelligent management system for risk monitoring, effectively preventing and mitigating operational risks. Integrity is a key criteria for employee recruitment. We have developed a clear code of conduct for employees, aiming to build an honest and compliant corporate culture, fundamentally strengthening risk management.

We have been and will continue to be highly committed to data and information compliance. We designate our information security committee to manage data operations and supervise the implementation of data protection policies. In addition, we require our technology team to periodically test and upgrade our information system, and conduct information security training for all employees.

We are committed to enhancing our supply chain management system, which includes establishing supplier evaluation standards, conducting dynamic and periodic assessments, and setting up a termination mechanism. We have formulated a code of conduct that specifies our requirements for suppliers in environmental practices, labor conditions, business ethics and other areas, strictly prohibiting violations such as child labor and forced labor. Suppliers that present material compliance or legal operation risks are subject to mandatory termination of cooperation. We will continue to strengthen our policy and implementation methods to keep establishing a sustainable supply chain.

Our commitment and contribution to social responsibility have earned wide recognition. In 2021, our successful rural inclusive credit services have been recognized as Green Development Model Case (綠色發展服務示範案例) by the China International Fair For Trade and Services and the Model Case for Carbon Neutrality (碳中和典型案例) by the 2nd China Forum on Green Economic Development. In 2022, we were the champion in the sustainable finance category of “Golden-Key – China’s Action towards SDG”(金鑰匙–面向SDG的中國行動) awarded by the Sustainable Development Tribune (《可持續發展經濟導刊》). In 2023, we were the annual growth case of “Sustainable Consumption and Production”(“可持續的消費與生產”年度成長案例) awarded by APEC China Business Council.

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### HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We attach great importance to occupational health and safety. We have developed and implemented comprehensive safety procedures and provide regular safety trainings to our employees and village-level partners. We do not believe that we are subject to any significant health, work safety or environmental risks.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, work safety or environmental regulations and have not been involved in any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions for the quality and popularity of our offerings and products. Representative awards and recognitions are set forth below:

<b>Recipient</b>	<b>Award/Recognition</b>	<b>Awarding Institution/Authority</b>	<b>Award Year</b>
Chongho Bridge Group Limited	Top 500 Chinese Agricultural Enterprises (中國農業企業500強)	Farmers’ Daily	2023
Chongho Bridge Group Limited	IFF Global Green Finance Innovation Award (IFF全球綠色金融創新獎)	International Finance Forum	2023
Chongho Bridge Group Limited	“2023 G20 Sustainable Finance Report” Case (《2023年G20可持續金融報告》案例)	G20 Sustainable Finance Working Group	2023
Chongho Bridge Group Limited	“Fortune” ESG Excellence Case (《財富》ESG卓越案例)	Fortune (Chinese Edition)	2023

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<b>Recipient</b>	<b>Award/Recognition</b>	<b>Awarding Institution/Authority</b>	<b>Award Year</b>
Chongho Bridge Group Limited	Honorable Mention of ESG Pioneer 60 (ESG先鋒60提名)	Shanghai United Media Group	2023
Chongho Bridge Group Limited	The “Golden Key Action” Driving Reformation Excellence Award (“金鑰匙行動” 驅動變革類優勝獎)	Sustainable Development Tribune	2023
Chongho Bridge Group Limited	Annual Charity Role Model (年度慈善榜樣)	Public Welfare Times	2023
Chongho Bridge Group Limited	Beijing Key Leading Enterprise in Agricultural Industrialization (北京農業產業化重點龍頭企業)	Beijing Municipal Bureau of Agriculture and Rural Affairs	2023
Chongho Bridge Group Limited	Annual Growth Case of “Sustainable Consumption and Production” (“可持續的消費與生產”年度成長案例)	APEC China Business Council	2023
Chongho Bridge Group Limited	Annual FinTech Case Award (金融科技年度案例獎)	China Finance Publishing House	2023
Chongho Bridge Group Limited	Top 500 Chinese Agricultural Enterprises (中國農業企業500強)	Farmers’ Daily	2022



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<b>Recipient</b>	<b>Award/Recognition</b>	<b>Awarding Institution/Authority</b>	<b>Award Year</b>
Chongho Bridge Group Limited	The “Golden Key Action” Sustainable Finance Champion Award (“金鑰匙行動”可持續金融類冠軍獎)	Economic Guide Report on Sustainable Development	2022
Chongho Bridge Group Limited	Top 20 Agricultural Social Services Enterprises (農業社會化服務企業20強)	Farmers’ Daily and National Agricultural Enterprises Development Alliance	2022
Chongho Bridge Group Limited	National Typical Institution for Agricultural Socialization Services (全國農業社會化服務典型)	Ministry of Agriculture and Rural Affairs	2022
Chongho Bridge Group Limited	Outstanding Cases of National Rural Revitalization in 2021 (2021年全國鄉村振興優秀案例)	China Well-off Society Association	2022
Chongho Bridge Group Limited	Asian Development Bank Green Carpet Award for Inclusive Finance (亞行綠毯獎普惠金融獎)	Asian Development Bank	2022
Chongho Bridge Group Limited	Top 500 Chinese Agricultural Enterprises (中國農業企業500強)	Farmers’ Daily	2021
Chongho Bridge Group Limited	Zhongrong Inclusive Annual Sample Special Award (“中融普惠”年度案例特別獎)	China Finance Publishing House	2021

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Recipient	Award/Recognition	Awarding Institution/Authority	Award Year
Chongho Bridge Group Limited	2021 Model Case for Carbon Neutrality (2021年度“碳中和典型案例”)	People.cn, All-China Environment Federation, Center for Environmental Education and Communications of Ministry of Ecology and Environment	2021
Chongho Bridge Group Limited	Honorable Mention of Best Bank for Women Entrepreneurs (最佳服務女性企業主銀行獎提名)	International Finance Corporation and Global SME Finance Forum	2021
Chongho Bridge Group Limited	Green Development Model Case (綠色發展服務示範案例)	China International Fair for Trade in Services	2021

## INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness, and we devote significant time and resources to their development and protection. As of June 30, 2024, we had 26 patents, 45 pending patent applications, 365 registered trademarks and 10 pending trademark applications in China. As of the same date, we had 59 registered software copyrights and 38 registered domain names in China, including, among others, <https://www.chongho.net>.

If we are unable to protect our patents, copyrights, trademarks and domain names adequately, that could have a material adverse effect on our business and hurt us in establishing and maintaining our brands. We rely upon a combination of patent, trade secret, copyright and trademark laws, license agreements, confidentiality procedures, nondisclosure agreements with employees, customers and others, and technical measures to protect intellectual property used in our businesses. In addition, our employees must enter into a standard employment contract which includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works.

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We also rely on a variety of intellectual property rights licensed from third parties, including Internet server software. These third-party licenses may not continue to be available to us on commercially reasonable terms. Our loss of or inability to maintain or obtain upgrades to any of these licenses could significantly harm us. In addition, because we license information from third parties, we may be exposed to copyright infringement actions if those parties are subject to claims regarding the origin and ownership of that information. Furthermore, despite our precautions, third parties may obtain and use intellectual property that we own or license without our consent. During the Track Record Period and up to the Latest Practicable Date, we did not find any material disputes or any other pending material legal proceedings of intellectual property rights with third parties. However, future unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors—Risks Relating to Our Business and Industry—We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.”

Please see “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual property rights of the Group” for details of our material intellectual property rights.

## INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds, as required by Chinese laws and regulations. We also purchase supplemental accident insurance for our employees and offer optional commercial medical insurance for a discount. In addition, we have obtained insurance to cover certain potential risks and liabilities, such as property damage, employer’s liability insurance, group personal accident insurance, commercial crime insurance as well as directors and officers liability insurance.

We do not maintain business interruption insurance or general third-party liability insurance, nor do we maintain product liability insurance or key-man insurance. See “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage to cover our business risks.” During the Track Record Period, we did not make any material insurance claims in relation to our business.

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### EMPLOYEES

As of December 31, 2021, 2022, 2023 and June 30, 2024, we had a total of 6,367, 6,798, 7,773 and 8,209 employees, respectively. As of June 30, 2024, all of our employees were based in China. The table below sets out employees by function as of June 30, 2024.

Functions	Number of employees	% of total employees
Sales and marketing	7,237	88.2
General and administration	363	4.4
Research and development	231	2.8
Business operations	190	2.3
Finance	103	1.3
Risk management	85	1.0
<b>Total</b>	<b>8,209</b>	<b>100.0</b>

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have granted and plan to continue to grant share-based incentive awards to our employees to motivate their contributions to our growth and development.

We primarily recruit our employees through recruitment agencies, online channels including our corporate website and social networking platforms, and offline channels such as news board in counties and towns. We have adopted comprehensive training programs covering various aspects of our businesses and employees at all levels. See “—Environmental, Social and Governance and Corporate Social Responsibility—Social Responsibilities” for further details.

As required under PRC regulations, we participate in housing fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans, under which we make contributions at specified percentages of the salaries of our employees.

We enter into standard labor contracts and confidentiality agreements that contain non-compete restrictions with our employees. None of our employees are currently represented by labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations.

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Most of our employees live in rural areas themselves and many of their family members, relatives and neighbors are small-scale farmers and small rural business owners. Given the popularity of our products and services in rural areas and demands from our employees, we allow our employees to purchase, and our employees have purchased, our various products and services in the ordinary course of our business. We provide our products and services to our employees based on the same sets of principles and guidelines as we provide such products and services to our other customers.

Our revenue generated from sale of products, including agricultural inputs and equipment and consumer goods, to our employees accounted for 0.8%, 5.7%, 8.4% and 2.6% of our total revenues in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. As our product and service offerings became more diversified and popular with the expansion of our agricultural production services and rural consumer goods and services business, the demands for our products and services offerings from rural consumers increased, and as a result, our employees increased their purchases not only for self and family-use, but also for use by, and at the request of, their relative, neighbors and other acquaintances who find our products and services attractive but are not used to online transactions. Due to their proximity with our employees, such relative, neighbors and other acquaintances usually know about, and request for, our new products and service offerings earlier than other rural consumers. As such requests increased during the Track Record Period, the amount and the proportion of revenue generated from sale of products to our employees also increased. The prices paid by our employees, when purchasing the products and services provided under our agricultural production services and rural consumer goods and services, are the same as the prices paid by other customers. We do not provide any additional incentives to induce our employees to enter into these transactions. Similar to our other customers, when purchasing our products and services, our employees may use our inclusive credit services to obtain loans designated for such purchase, and when our employees choose to do so, they will go through the same application and credit assessment process and be subject to the same risk management measures as our other customers. As of December 31, 2021, 2022, 2023 and June 30, 2024, the total outstanding balance of loans obtained by our employees through our platform designated for purchasing our products and services accounted for 0.02%, 0.27%, 0.33% and 0.05% of the total outstanding balance of loans obtained through our platform, respectively, which is generally in line with the above-mentioned increase in the amount and the proportion of revenue generated from sale of products to our employees.

To address the pain points of our potential customers in rural areas, in January 2024, we upgraded our mobile application where our customers can complete user registration on our mobile application through a more user-friendly process. Our employees will assist potential customers, including but not limited to their relative, neighbors and other acquaintances, in completing user registration and doing online transactions with us. We also encourage our employees to promote the convenience and reliability of our online offerings. As we expect Relevant Acquaintances to complete online transactions with us directly, we have procured our employees to cease purchasing products and services from our platform on behalf of the Relevant Acquaintances. In January 2024, we formulated and implemented our internal policies which explicitly require our employees to cease purchasing on behalf of the Relevant

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Acquaintances. We have adopted further internal control measures from January to April 2024, such as no longer permitting employees to use installment loan for their purchases on our platform, and limiting the quantity of products that each of our employees can purchase on our platform to the amount that is reasonable for self and family-use. Based on further review by our internal control consultant after we adopted these internal control measures, no material internal control deficiencies were noted by our internal control consultant in this regard. Having considered the representations and confirmations from the Company and the view and basis of the Company’s internal control consultant, based on the due diligence work performed by the Sole Sponsor, nothing else has come to the Sole Sponsor’s attention that would reasonably cause them to cast doubt on the adequacy and effectiveness of the Group’s internal control measures in this regard. We believe these efforts will help us reach to more customers directly, further expand our customer base and improve our customer coverage and service, while at the same time, we expect our revenue from sale of products to our employees as a percentage of our total revenues will decrease in the future.

### PROPERTIES

#### Owned Properties

We owned 19 properties in Hunan, Hebei, Inner Mongolia, Liaoning, Fujian, Sichuan, Guizhou and Hainan Province with an aggregate gross floor area of approximately 19,413 square meters as of the Latest Practicable Date, 14 of which are used for office space, and five of which are used for manufacturing space and office space and owned by one of our subsidiary which contributed to less than 1% of our total revenue during the Track Record Period.

We have not obtained property ownership certificate for five of our owned properties. Two of such properties are used for office space, and three of such properties are used for office and manufacturing spaces and owned by one of our subsidiary which contributed to less than 1% of our total revenue during the Track Record Period. See “Risk Factors—Risks Relating to Our Business and Industry—We face certain risks relating to the properties that we own, such as the failure to obtain the title documents and to comply with usage requirements, which may adversely affect our business” and “Risk Factors—Risks Relating to Our Business and Industry—Defects in title and documentation related to certain of our leased properties may adversely affect our ability to use such properties.” During the Track Record Period and up to the Latest Practicable Date, our owned properties subject to title defects were not material to our business operations. We believe there are sufficient alternative properties with similar conditions in same region and relocation will not cause excessive costs or business interruption.

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### Leased Properties

Our headquarters are located in Beijing and Changsha, China. We lease and occupy our office space in Beijing with an aggregate floor area of approximately 2,428 square meters as of the Latest Practicable Date. As of the Latest Practicable Date, we also lease and occupy office space in 19 provincial-level regions with an aggregate floor area of approximately 107,707 square meters, and manufacturing and warehouse space in Sichuan with an aggregate floor area of 576 square meters which is leased and occupied by one of our subsidiary which contributed to less than 1% of our total revenue during the Track Record Period.

These leases have expiration dates ranging from September 2024 to September 2029. We will renew our lease for a certain property only if such property: (i) is compliant with all environment, health and safety laws and regulations, (ii) is not subject to any dispute, lawsuit or other factors that may affect our use, (iii) offers quality property management service, and (iv) is located at a place with sufficient substitute properties in case we cannot renew our lease. To ensure a certain property satisfies all these requirements, we do a background check on whether the property or the landlord is subject to any investigation, dispute or lawsuit or has any enforcement record and routinely evaluate the service quality of the property management company. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

Lessors of 77 leased properties with an aggregate gross floor area of approximately 15,816 square meters, which are used for office space, have not provided us with their property ownership certificates or other documentation proving their right to lease those properties to us. If any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use the properties.

In addition, our leasehold interests of certain leased properties with an aggregate gross floor area of approximately 108,283 square meters have not been registered with the relevant PRC governmental authorities as required by PRC law. Among these leased properties, an aggregate gross floor area of approximately 107,707 square meters are used as office space and an aggregate gross floor area of approximately 576 square meters are used for manufacturing and warehousing purposes. Our PRC Legal Adviser has advised us that the lack of registration for the lease contracts will not affect the validity of the lease contracts under PRC law, and has also advised us that the relevant PRC authorities may request us to complete the registration and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements, which in the aggregate amount to approximately RMB5.2 million at a maximum.

Furthermore, the current usages of 55 leased properties with an aggregate gross floor area of approximately 11,305 square meters, which are used for office space, are not in conformity with the permitted usages prescribed in the relevant title certificates. Nonconformity with the property's planned use may lead to fines up to approximately RMB5.7 million imposed by the competent authority, and in extreme case, government order to revoke the lease or reclaim the land. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material proceedings or administrative penalties with respect to the fire safety issues in respect of such office space.

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Considering these properties’ uses, we believe there is a sufficient supply of similar properties and do not expect any material adverse effect on our business due to these potential terminations. During the Track Record Period and up to the Latest Practicable Date, our leased properties subject to title defects were not material to our business operations. We do not expect any material adverse effect on our business due to such title defects. See “Risk Factors—Risks Relating to Our Business and Industry—Defects in title and documentation related to certain of our leased properties may adversely affect our ability to use such properties.”

As of the Latest Practicable Date, no single property accounted for 15% or above of our consolidated total assets by book value. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

As credit products accounted for a substantial majority of our business, credit risk is the most significant risk inherent in our business. We have developed a credit risk management system in accordance with the type and size of our loans, the types of our customers and the local legal and economic environment.

We also face risks relating to our operations and compliance. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as financial reporting, information system, internal control, human resources and investment management.

#### **Credit Risk Management**

##### ***Overall Design of Our Credit Risk Management***

Our loan products are generally designed in small ticket sizes, and we keep our credit risk under control through diversification. We consider our customers’ economic activities and income level when granting credit lines, making sure the credit amount is corresponding to their repayment ability. Most of the credit products obtained through our platform have a credit line of below RMB120,000. In addition, our loans are used for various purposes, effectively diversifying credit risks.

We design our products and marketing strategies based on the unique feature of rural areas. We understand that rural areas are societies of acquaintance and guarantors play an important role in improving the repayment willingness of our customers. In addition, as our local operation teams are also local residents, they are well positioned to evaluate customers’ abilities to repay, use of proceeds and their reputation to minimize the risks of defaults.



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### *Data Collection and On-the-ground Diligence*

To efficiently screen applicants, we have designed an initial phase to collect basic information regarding a prospective borrower when a borrower applying for one of the loan products. We also collect personal information such as identification, occupation, residential address and spouse information for verification and anti-fraud purposes. With users’ authorization, we supplement our proprietary data with extensive external data to build a comprehensive credit profile for each of our borrowers. The external data include but are not limited to borrowers’ personal credit information, cash flow information and past borrowing and repayment behavior provided by third-party institutions we cooperate with, and judicial execution information. These data enable us to provide an array of automated quantitative analysis, strengthen our credit assessment system and make fast and accurate preliminary credit line decisions.

In loan applications where a borrower does not have sufficient online credit information for us to assess his or her creditworthiness, we will, with the borrower’s consent, collect financial and non-financial information of the borrower through on-site due diligence conducted by our local operation teams. For a loan application exceeding RMB120,000, two local operation teams will be assigned to ensure that we obtain comprehensive information to make credit assessment. We verify the borrower’s financial information, such as income and assets of the borrower, through various documents, such as bank statements, vehicle registration and property certificate. In addition, we value non-financial information to help us assess the loan application. As many of our local operation teams are local residents of the communities they cover, it is relatively easy for them to gather non-financial information of the borrower, such as the borrower’s reputation, outstanding disputes, credit history and business experience and expertise, from third parties in the relevant neighborhood.

### *Credit Assessment*

While many microcredit platforms in China build up their credit assessment process based on proprietary data and third party database, we have adopted a credit assessment approach that combines the assessment of information from both online database and offline diligence. We believe this integrated credit assessment model offers us a more precise, transparent and comprehensive picture of a potential borrower’s financial status and delinquency risk.

Empowered by our credit data from our rural inclusive credit services, we have developed hundreds of risk control models and strategies based on our insights into customers’ credit profiles in different regions using our proprietary algorithms and massive data accumulated on our platform. Leveraging these risk control models and strategies, our machine learning based credit assessment system analyzes customers’ ability to repay our loans based on (i) basic information provided by the customers, (ii) any additional customer-specific information accumulated on our platform, such as credit histories with us and local customer information developed by our local operation teams, and (iii) credit and cash flow information obtained through third-parties with prior authorization of the customers. The system is continuously tested and updated by our team.

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We employ our algorithms and metrics in assessing borrowers’ probability of delinquency. Applicants of our credit product, Speedy Loan (極速貸), receive credit decisions within three minutes on average after application. Applicants of Inclusive Loans (惠農貸) and Installment Loans (農分期) receive credit decisions within four calendar days and four hours after submitting applications on average, respectively.

We strive to balance the flexibility and prudence in our loan application decision-making process. For loans that require on-site due diligence of local operation teams, the decision of our local operation teams will be further reviewed by our loan reviewing committee for approval. Our reviewing committee assesses the loan application independently and has veto power. Based on loan amount and risk management performance of local operation teams, we sometimes require loan applications to be reviewed and approved by our branches, regional offices or even headquarters.

We emphasize on verification and fraud detection. Our credit assessment system contains a multifaceted and effective fraud management system that automatically aggregates data from both internal and external sources. Built upon the database collected via our own platform, the internal and industry blacklist provided by third-party database, real-name authentication setting and sophisticated machine learning technology, our credit assessment system is able to assess the probability of suspicious activities by each applicant. At the same time, we recognize the added complexities in detecting and preventing organized frauds. Our local operation teams will process the collected financial and non-financial information into our credit assessment system to undergo a verification process.

We periodically test and refine anti-fraud rules to tackle new development and trend, which allows us to quickly respond to emerging fraudulent threats and catch unknown fraud patterns.

### *Credit Monitoring, Servicing and Collection*

Once a loan is granted, we closely monitor the loan performance through our services to borrowers. We provide repayment reminder services through in-app notification and SMSs by our system before the due date for each scheduled repayment. In addition, we employ big data and models for periodic monitoring during the loan cycle and our local operation teams conduct periodical follow-ups with our borrowers to understand borrowers’ latest financial conditions and repayment abilities. We generally require our local operation teams to conduct phone calls at least once a month and make on-site visits at least once every three months after the credit drawdown with borrowers. Through systematic model monitoring and close communications with borrowers, our local operation teams are able to discover borrowers that are at the risk of defaulting at an early stage and explore available payment alternatives and make reasonable arrangements to repay outstanding balances and prevent defaults.

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If a borrower fails to make a payment on a due date, our local operation teams will conduct a collection call and on-site visit with such borrower within the same day. If a loan remains overdue, our local operation teams will continue to follow up with the borrower through SMSs, calls and in-person visits. Besides the collection efforts towards the borrower, we also closely communicate with the relevant guarantor, encouraging them to provide assistances in loan collection. In the event of malicious default of a loan that is overdue of over 90 calendar days, we, at our sole discretion, may require our local operation teams to file lawsuit against the borrower and the relevant guarantor or request enforcement actions, such as filing foreclosure on collateral or assets by court order.

We do not engage any third-party service providers to collect overdue loans from our borrowers. For our local operation teams, we continuously monitor their performance and compliance to ensure that they employ appropriate collection methods to achieve better collection performance and compliance with regulatory requirements. During the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations governing the loan collection in material respects.

Through our credit monitoring, servicing and collection activities, we gain additional analytical insights about credit trends and borrowers which allow us to continuously improve our credit risk management, loan issuance and facilitation processes and product capabilities.

As climate change intensifies, we face increasing risks in extreme weather and evolving regulatory policies. We conduct a systematic analysis of climate-related challenges and opportunities and implement a set of measures aimed at preventing and mitigating potential negative impacts of these risks on our customers and us. For instance, we provide risk alleviation solutions such as loan restructuring to our borrowers who temporarily lack repayment capability due to disasters. We also adopt leniency policies in credit reporting, mitigating the repayment pressure of borrowers while facilitating debt collection. In addition, we coordinate with local organizations to conduct disaster relief activities and offer philanthropic aid, demonstrating our social responsibility and commitment to public interests.

### ***Risk Management Team***

We have established a well-structured system to monitor and manage risks involved in our operations, comprising our local operations teams, our regional management teams and members of risk management center, investigation and approval center, digital finance center, and internal audit department at the headquarters. Our risk management center is at the core of our overall risk management team. As of June 30, 2024, we had 85 risk management employees at the headquarters. Our local operation teams are responsible for investigating and verifying customer information for loan applications. Based on the risk assessment results of each loan, our headquarters, regional offices and branches participate in the approval process of loan applications according to their respective responsibilities.

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Our comprehensive risk management team regularly examines credit and enterprise risks of our Company and is intimately involved in portfolio management, credit model development, validation and optimization. Tasks performed by our risk management team includes formulating overall risk management policies and processes, determining operational risk appetite and key risk indicators, monitoring of credit products performance and stability, as well as assessing and reporting operational risks at different business departments and regional subsidiaries.

### **Financial Reporting Risk Management**

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, expenses management policies and treasury management policies. We have various procedures in place to implement accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand financial management and accounting policies and implement them in our daily operations.

### **Operational Risk Management**

Operational risk is the risk resulting from inadequate or failed internal control systems, human errors or external events. We consider the operational risk to be one of the major risks in our business and believe that this inherent risk can be controlled or minimized through adequate and comprehensive operational policies and procedures. We have adopted the following measures:

- establishing a sound corporate governance structure with clearly defined duties of the Board, the senior management and the business departments;
- establishing a vertical risk management system to ensure the independence of our risk management;
- establishing and continuously improving our operational procedures and internal control system, and utilizing our information technology system to monitor and control the implementation of each procedure. In particular, we have adopted and have strictly implemented internal control measures throughout our operation process to prevent and detect potential employee frauds, such as the integrity due diligence for new employees, “separation of application investigation and approval,” multilevel assessment and approval procedure, on-site visits and inspection, interviews conducted by our local operation teams with the family members, neighbors, friends of the borrower or relevant third parties, periodical post-loan grant review and continuous collection efforts on default borrowers, comprehensive record-keeping system for due diligence investigation and collection communication;

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- implementing a performance-based compensation scheme for our employees, connecting employees’ compensation with their risk management performance;
- providing ethical and anti-corruption education and professional training to the employees, especially those responsible for the assessment and approval process; and
- conducting independent post-event risk reviews by our internal control team.

### **Information System Risk Management**

Sufficient maintenance, storage and protection of user data and other related information are critical to our success. We have implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data are avoided. Our information security management committee is responsible for designing the strategies and planning our data security management. Our information technology department is responsible for formulating the comprehensive information security solution and system for our Company and ensuring the security of our information technology infrastructure and ensuring that the usage, maintenance and protection of user data are in compliance with our internal rules and the applicable laws and regulations. We designate an information security team to monitor the execution of our information security policies and provide regular trainings and technical support to our business operation teams. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data. See “—Data Privacy Protection and Compliance” for further details.

### **Internal Control Risk Management**

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter into with our customers, funding providers and partner banks. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have in place detailed internal procedures to ensure that our in-house legal department reviews our products and services, including upgrades to existing products, for regulatory compliance before they are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

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### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. Our human resource department regularly organizes internal training sessions conducted by senior employees or outside consultants on topics of interest. Our human resource department schedules online trainings, reviews the information of the trainings, follows up with employees to evaluate the impact of such trainings and rewards lecturers for positive feedback. Through these trainings, we ensure that our staff's skill sets remain up-to-date, enabling them to better discover and meet consumers' needs.

We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practices, work ethics, fraud prevention mechanism, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

We also have in place an anti-corruption policy to safeguard against any corruption within our Company. Our policies explain potential corruption conducts and our anti-corruption measures. We prohibit our employees from receiving or giving any form of bribes or kickbacks in dealing with third parties. We have included clear and strict guidelines against the acceptance of gifts, hospitality and other offers by interested third parties and the making of such offers by our employees to any third parties. Our employees who have management responsibility are required to sign an anti-corruption and anti-bribery undertaking. We have anti-corruption and anti-bribery clauses in our business contracts, which allow us to terminate the contracts for any violation of such clauses by the counterparties. We require borrowers, our suppliers and other third parties who cooperate with us to sign an anti-corruption and anti-bribery undertaking and comply with relevant laws and regulations. We will report bribery and corruption activities to relevant authorities if we determine such activities to have violated applicable laws and regulations. We make our internal reporting channel open and available for our staff and customer to report any corruption acts, and our staff can also make anonymous reports to our internal audit department. Our legal and supervision department is responsible for investigating the reported incidents and taking appropriate measures. We conduct sufficient risk-based due diligence before hiring any third party and ensure that the hiring procedure is implemented fully in accordance with the anti-bribery policy. We also have regular trainings for employees regarding anti-bribery policy to facilitate better implementation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any non-compliance with relevant laws and regulations that have a significant impact on us relating to corruption and bribery.

### **Investment Risk Management**

Our investment strategy is to invest in or acquire businesses that are complementary to our business and aligned with our growth strategies. We adopt investment plans in line with our business strategies with inputs from various business departments. We generally intend to hold our investments for the long term. In order to manage the potential risks associated with investments, we would generally require any potential target companies for investment to grant us customary minority investor protective rights.

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Our relevant business departments make recommendations with respect to investment projects sourcing to our office of the Board. Our office of the Board is responsible for investment project screening, execution and post-investment risk management. The department sources investment projects in accordance with our investment strategy and preliminarily assesses the risks and potential of the investment projects. We employ different levels of approval and due diligence mechanisms corresponding to the specific circumstances involved in an investment project.

In addition, our relevant business departments, finance department, office of the Board are collectively responsible for monitoring the performance of each investment on a regular basis. These departments are also responsible for providing recommendations on measures to reduce any risks involved in each investment project and must report to our investment committee timely if there is any material change to the financial position of an investment.

### **Legal and Compliance Risk Management**

Our business is subject to extensive and complex regulations and supervisions by national, provincial and local government authorities with regard to administrative licensing of our financial business, digital platform, general market regulation and finance and tax policies. See “Regulatory Overview” for more information. If we do not respond to these changes in a timely manner or are found to be not in compliance with applicable laws and regulations, significant losses may be incurred. See “Risk Factors—Risks Relating to Our Business and Industry—We are subject to a broad range of laws and regulations, and future laws and regulations may impose additional requirements and other obligations that could materially and adversely affect our business, financial condition and results of operations.” Our comprehensive risk management department, legal department, internal audit department, compliance center and regional management department are responsible for the operational compliance review, examination of the completeness of business procedures, implementation of regulatory policies, provision of operational guidance and training to the business staff, legal matters related to asset collection, and drafting and review of contracts and other legal documents.

We have adopted anti-money laundering and counter-terrorism internal control policies and procedures, which involves “know-your-customer” procedures, as part of our due diligence, credit assessment, investigation and approval procedures to monitor and report suspected money laundering activities. We collect relevant information from our customers through *Xiangzhu* (鄉助) app in their initial credit application and through the on-site due diligence conducted by our local operation teams to facilitate our anti-money laundering investigations, and we keep refining our system algorithm and updating the list of suspicious recipients to identify and intercept suspicious transactions. We also constantly update customers’ profiles, keep records and reassess customers’ identities upon occurrences of suspicious activities according to our internal control policies. We submit reports to regulatory authorities on suspicious transactions in accordance with relevant regulatory requirements. We also provide training to our employees to ensure that our anti-money laundering and counter-terrorism policies and procedures are properly implemented through our business

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operations. According to our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines, administrative penalties, or other sanctions by any relevant regulatory authorities in relation to violation of relevant anti-money laundering laws and regulations. As a result, we are of the view that our policies and procedures relating to anti-money laundering and counter-terrorism have been carried out properly during the Track Record Period and up to the Latest Practicable Date and are effective in mitigating our risks related to money laundering.

### **COMPLIANCE AND LEGAL PROCEEDINGS**

#### **Compliance**

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

#### **Legal Proceedings**

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention. During the Track Record Period and up to the Latest Practicable Date, we had not involved in any litigation, arbitration or administrative proceeding against us that could have a material adverse effect on our business, financial condition or results of operations.

### **LICENSES AND PERMITS**

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits and approvals from relevant authorities that are material to our operations, and save as disclosed herein, such licenses, permits and approvals are still valid and in force. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. We believe there is no material legal impediment to completing the renewal of such permits, licenses or approvals.



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The following table sets out a list of material licenses and permits currently held by us.

<b>License/Permit</b>	<b>Holder</b>	<b>Issuing Authority</b>	<b>Grant Date</b>	<b>Expiration Date</b>
Approval of the Opening of Chongqing Chongho Bridge Microfinance Limited	Chongqing Chongho Bridge Microfinance Limited	Chongqing Municipal Financial Work Office	January 19, 2017	N/A
Approval of the Establishment of Guangdong Chongho Bridge Microfinance Limited	Guangdong Chongho Bridge Microfinance Limited	Guangdong Provincial Financial Supervision and Administration Bureau	July 16, 2019	N/A
Approval of the Filing of Hainan Chongho Bridge Microfinance Limited	Hainan Chongho Bridge Microfinance Limited	Hainan Provincial Government Financial Work Office	July 18, 2016	N/A
Approval of the Provincial Operation of Hebei Chongho Bridge Microfinance Limited	Hebei Chongho Bridge Microfinance Limited	Hebei Provincial Financial Supervision and Administration Bureau	August 27, 2020	N/A
Approval of the Opening of Hunan Chongho Bridge Microfinance Limited	Hunan Chongho Bridge Microfinance Limited	Hunan Provincial Government Financial Work Office	November 30, 2017	N/A

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<b>License/Permit</b>	<b>Holder</b>	<b>Issuing Authority</b>	<b>Grant Date</b>	<b>Expiration Date</b>
Approval of the Opening of Kangping County Chongho Bridge Microfinance Limited	Liaoning Kangping County Chongho Bridge Microfinance Limited	Liaoning Provincial Government Financial Work Office	November 24, 2011	N/A
Shandong Provincial Microcredit Company Operation License	Liaocheng Chongho Bridge Microfinance Limited	Shandong Provincial Financial Supervision and Administration Bureau	August 10, 2021	August 27, 2023 <sup>(1)</sup>
Approval of the Opening of Inner Mongolia Chongho Bridge Microfinance Limited	Inner Mongolia Chongho Bridge Microfinance Limited	Inner Mongolia Provincial Government Financial Work Office	January 15, 2016	N/A
Approval of the Opening of Luohe Chongho Bridge Microfinance Limited	Luohe Chongho Bridge Microfinance Limited	Henan Provincial Financial Supervision and Administration Bureau	June 29, 2021	N/A

*Note:*

- (1) We submitted the application for the renewal of such license before its expiration, and have been engaging in active communication on its renewal with competent government authority, which confirmed that Liaocheng Chongho Bridge Microfinance Limited may continue its operations in the absence of such license during the renewal process, and confirmed that we had not been in violation of any relevant administrative regulations. According to the Provisions on the Implementation Procedures for Administrative Licensing of Local Financial Organizations in Shandong Province, which was promulgated by the Shandong Provincial Financial Supervision and Administration Bureau on August 13, 2024, such license would be no longer required for the operations of Liaocheng Chongho Bridge Microfinance Limited. From the date of the expiration of such license and as of the Latest Practicable Date, the operations of Liaocheng Chongho Bridge Microfinance Limited had not been adversely affected.

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<b>License/Permit</b>	<b>Holder</b>	<b>Issuing Authority</b>	<b>Grant Date</b>	<b>Expiration Date</b>
Approval of the Opening of Lianyungang Ganyu Chongho Bridge Microfinance Limited	Lianyungang Ganyu Chongho Bridge Microfinance Limited	Jiangsu Provincial Financial Supervision and Administration Bureau	September 27, 2020	N/A
Jiangxi Provincial Microcredit Company Operation License	Ganzhou Chongho Bridge Microfinance Limited	Jiangxi Provincial Financial Supervision and Administration Bureau	July 31, 2024	August 15, 2025
Approval of the Opening of Linxia Hezheng County Jinmai Microfinance Limited	Gansu Chongho Bridge Microfinance Limited	Gansu Provincial Government Financial Work Office	August 15, 2013	N/A
Approval of the Opening of Deyang Chongho Bridge Microfinance Limited	Sichuan Chongho Bridge Microfinance Limited	Sichuan Provincial Government Financial Office	December 6, 2011	N/A
Approval of the Opening of Shanxi Chongho Bridge Microfinance Limited	Shanxi Chongho Bridge Microfinance Limited	Shanxi Provincial Financial Supervision and Administration Bureau	April 13, 2020	N/A
Approval of the Opening of Fudeng Microfinance (Yunnan) Limited	Yunnan Chongho Bridge Microfinance Limited	Yunnan Provincial Government Financial Work Office	February 15, 2015	N/A

**BUSINESS**

<b>License/Permit</b>	<b>Holder</b>	<b>Issuing Authority</b>	<b>Grant Date</b>	<b>Expiration Date</b>
Value-Added Telecommunication License (B2-20173175)	Beijing Xiangzhu Electronic Technology Limited	Ministry of Industry and Information Technology of the PRC	November 22, 2022	November 22, 2027
Value-Added Telecommunication License (Jing B2-20214850)	Beijing Xiangzhu Electronic Technology Limited	Beijing Communications Administration	December 31, 2021	December 31, 2026
Insurance Agent License	Beijing Little Whale Insurance Agency Limited	Beijing Supervision Bureau of the China Banking and Insurance Regulatory Commission	March 2, 2022	N/A
Pesticide Operation License	Chongho (Beijing) Agricultural Technology Limited	Beijing Municipal Bureau of Agriculture and Rural Affairs	April 25, 2021	December 17, 2025