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## Chongqing Hongjiu Fruit Co., Limited

重慶洪九果品股份有限公司

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

**(Stock code: 6689)**

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board is pleased to announce the unaudited consolidated financial statements of the Group for the six months ended June 30, 2023. These results have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and International Accounting Standard (IAS) 34, interim financial reporting, and have been reviewed by the Audit Committee. This announcement complies with the requirements of the Listing Rules in relation to information to accompany preliminary announcements of interim results.

#### FINANCIAL HIGHLIGHTS

The Company's revenue increased by 19.37% from approximately RMB7,152.2 million for the six months ended June 30, 2022 to approximately RMB8,537.5 million for the six months ended June 30, 2023.

The Company's gross profit decreased by 3.01% from approximately RMB1,353.4 million for the six months ended June 30, 2022 to approximately RMB1,312.6 million for the six months ended June 30, 2023.

The Company's net profit decreased by 6.51% from approximately RMB858.8 million for the six months ended June 30, 2022 to approximately RMB802.9 million for the six months ended June 30, 2023.

Net cash outflow from operating activities of the Company decreased by 58.42% as compared with the same period last year.

The Board resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2023.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended June 30, 2023 – Unaudited*

		<b>Six months ended June 30,</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Revenue</b>	<i>3</i>	<b>8,537,485</b>	7,152,228
Cost of sales		<b>(7,224,892)</b>	(5,798,852)
<b>Gross profit</b>		<b>1,312,593</b>	1,353,376
Selling and distribution expenses		<b>(121,056)</b>	(98,954)
Administrative expenses		<b>(95,048)</b>	(94,886)
Impairment losses on trade receivables		<b>(183,770)</b>	(124,368)
Other net income	<i>4</i>	<b>95,279</b>	30,400
Other expenses		<b>(3,811)</b>	(1,619)
<b>Profit from operations</b>		<b>1,004,187</b>	1,063,949
Finance costs	<i>5(a)</i>	<b>(57,188)</b>	(27,456)
<b>Profit before taxation</b>		<b>946,999</b>	1,036,493
Income tax	<i>6</i>	<b>(144,063)</b>	(177,682)
<b>Profit for the period</b>		<b>802,936</b>	858,811
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>803,669</b>	857,357
Non-controlling interests		<b>(733)</b>	1,454
<b>Profit for the period</b>		<b>802,936</b>	858,811
<b>Earnings per share (RMB)</b>			
Basic	<i>7(a)</i>	<b>0.57</b>	0.63
Diluted	<i>7(b)</i>	<b>0.57</b>	0.63

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended June 30, 2023 – Unaudited*

	<i>Note</i>	<b>Six months ended June 30,</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Profit for the period</b>		<b>802,936</b>	858,811
<b>Other comprehensive income for the period (after tax)</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside of the PRC		<u>6,350</u>	<u>1,626</u>
<b>Total comprehensive income for the period</b>		<b><u>809,286</u></b>	<b><u>860,437</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>810,025</b>	858,980
Non-controlling interests		<u>(739)</u>	<u>1,457</u>
<b>Total comprehensive income for the period</b>		<b><u>809,286</u></b>	<b><u>860,437</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2023 – Unaudited

	Note	At June 30, 2023 RMB'000	At December 31, 2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	8(a)	76,122	83,169
Right-of-use assets	8(b)	91,477	91,247
Intangible assets		14	15
Other non-current assets		1,020	903
Deferred tax assets		134,603	106,997
		<u>303,236</u>	<u>282,331</u>
<b>Current assets</b>			
Inventories	9	128,258	334,252
Trade and other receivables	10	10,150,593	8,996,036
Financial assets measured at fair value through profit or loss		–	1,001
Restricted deposits	11	150,000	–
Cash and cash equivalents	11	556,504	149,177
		<u>10,985,355</u>	<u>9,480,466</u>
<b>Current liabilities</b>			
Trade and other payables	12	764,198	767,831
Bank loans		2,775,830	2,282,794
Lease liabilities		36,084	26,803
Taxation payable		170,551	246,402
		<u>3,746,663</u>	<u>3,323,830</u>
<b>Net current assets</b>		<u>7,238,692</u>	<u>6,156,636</u>
<b>Total assets less current liabilities</b>		<u>7,541,928</u>	<u>6,438,967</u>
<b>Non-current liabilities</b>			
Lease liabilities		50,809	60,344
Other non-current liabilities		585	485
		<u>51,394</u>	<u>60,829</u>
<b>NET ASSETS</b>		<u>7,490,534</u>	<u>6,378,138</u>

	<i>Note</i>	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>13(b)</i>	<b>1,417,066</b>	467,369
Reserves		<b>6,068,651</b>	5,905,213
<b>Total equity attributable to equity shareholders of the Company</b>		<b>7,485,717</b>	6,372,582
<b>Non-controlling interests</b>		<b>4,817</b>	5,556
<b>TOTAL EQUITY</b>		<b>7,490,534</b>	6,378,138

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023 – Unaudited

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Capital reserves	PRC		Retained earnings	Total			
			statutory reserves	Exchange reserves					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at January 1, 2022</b>	453,074	1,727,308	111,889	(10,836)	2,125,118	4,406,553	3,110	4,409,663	
<b>Changes in equity for the six months ended June 30, 2022:</b>									
Profit for the period	-	-	-	-	857,357	857,357	1,454	858,811	
Other comprehensive income	-	-	-	1,623	-	1,623	3	1,626	
Total comprehensive income	-	-	-	1,623	857,357	858,980	1,457	860,437	
<b>Balance at June 30, 2022 and July 1, 2022</b>	453,074	1,727,308	111,889	(9,213)	2,982,475	5,265,533	4,567	5,270,100	
<b>Changes in equity for the six months ended December 31, 2022</b>									
Profit for the period	-	-	-	-	594,857	594,857	878	595,735	
Other comprehensive income	-	-	-	20,178	-	20,178	111	20,289	
Total comprehensive income	-	-	-	20,178	594,857	615,035	989	616,024	
Issuance of ordinary shares by initial public offering and over-allotment, net of issuing costs	14,295	475,108	-	-	-	489,403	-	489,403	
Equity-settled share based payment	-	2,611	-	-	-	2,611	-	2,611	
Appropriation to statutory reserves	-	-	125,554	-	(125,554)	-	-	-	
<b>Balance at December 31, 2022</b>	<u>467,369</u>	<u>2,205,027</u>	<u>237,443</u>	<u>10,965</u>	<u>3,451,778</u>	<u>6,372,582</u>	<u>5,556</u>	<u>6,378,138</u>	

		Attributable to equity shareholders of the Company							
Note	Share capital RMB'000	Capital reserves RMB'000	PRC		Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
			statutory reserves RMB'000	Exchange reserves RMB'000					
	<b>Balance at January 1, 2023</b>	467,369	2,205,027	237,443	10,965	3,451,778	6,372,582	5,556	6,378,138
	<b>Changes in equity for the six months ended June 30, 2023:</b>								
	Profit for the period	-	-	-	-	803,669	803,669	(733)	802,936
	Other comprehensive income	-	-	-	6,356	-	6,356	(6)	6,350
	Total comprehensive income	-	-	-	6,356	803,669	810,025	(739)	809,286
	Issuance of ordinary shares	14,960	288,150	-	-	-	303,110	-	303,110
	Conversion of capital reserves into share capital	<u>934,737</u>	<u>(934,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>Balance at June 30, 2023</b>	<u>1,417,066</u>	<u>1,558,440</u>	<u>237,443</u>	<u>17,321</u>	<u>4,255,447</u>	<u>7,485,717</u>	<u>4,817</u>	<u>7,490,534</u>

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2023 – Unaudited

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Operating activities</b>		
Cash used in operations	(66,017)	(659,936)
Corporate Income Tax paid		
– The PRC	(188,973)	(82,740)
– Overseas	(58,547)	(11,426)
	<u>(313,537)</u>	<u>(754,102)</u>
<b>Net cash used in operating activities</b>		
<b>Investing activities</b>		
Payment for the purchase of property, plant and equipment	(2,984)	(6,233)
Cash receipts from disposal of property and equipment	3,136	508
Cash receipts from redemption of financial assets measured at fair value through profit or loss	1,001	30,055
Payment for investment in financial assets measured at fair value through profit or loss	–	(20,000)
	<u>1,153</u>	<u>4,330</u>
<b>Net cash generated from investing activities</b>		
<b>Financing activities</b>		
Proceeds from bank loans	3,116,310	2,081,963
Proceeds from issuance of ordinary shares	303,111	–
Repayments of bank loans	(2,624,267)	(1,140,362)
Interest paid	(55,586)	(23,317)
Capital element of lease rentals paid	(19,293)	(16,078)
Interest element of lease rentals paid	(1,602)	(1,272)
Payment for listing expenses	–	(4,000)
	<u>718,673</u>	<u>896,934</u>
<b>Net cash generated from financing activities</b>		
<b>Net increase in cash and cash equivalents</b>	<b>406,289</b>	<b>147,162</b>
Cash and cash equivalent at 1 January	149,177	239,534
Impact of exchange rate changes on cash and cash equivalents	1,038	2,353
	<u>556,504</u>	<u>389,049</u>
Cash and cash equivalent at 30 June		

# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

## GENERAL INFORMATION

### 1 BASIS OF PREPARATION

This interim results announcement has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (IAS) 34, interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on August 28, 2023.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim results announcement contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together “the Group”) since the 2022 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the International Financial Reporting Standards (the “IFRSs”).

The financial information relating to the financial year ended December 31, 2022 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year, but is derived from those financial statements.

### 2 CHANGES IN ACCOUNTING POLICIES

#### **New and amended IFRSs**

The Group has applied the following new and amended IFRSs issued by the IASB to this interim results announcement for the current accounting period:

- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 3 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are purchasing, sorting, packaging all over the world and wholesale of fruits mainly in the PRC.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers within the scope of IFRS 15		
Sales of fruits	<b>8,537,485</b>	7,152,228

All of the Group's revenue are recognized at a point in time.

The Group's customer base is diversified. For the six months ended June 30, 2023, the Group did not have any customer with which transaction has exceeded 10% of the Group's total revenue (for the six months ended June 30, 2022: nil).

#### (b) Segment reporting

##### (i) *Segment information*

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the general manager of the Group who reviews the Group's consolidated results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

##### (ii) *Geographical information*

The geographical location of customers is based on the location at which the fruits delivered. The revenue of the Group is almost all derived from customers in the PRC for the six months ended June 30, 2023.

The following table sets out information about the geographical location of the Group's non-current assets other than deferred tax assets. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and right-of-use assets, and the location of the operation to which they are allocated, in case of intangible assets and other non-current assets.

## Non-current assets

	At June 30, 2023 <i>RMB'000</i>	At December 31, 2022 <i>RMB'000</i>
The PRC (place of domicile)	105,568	109,220
Thailand	36,062	42,433
Vietnam	27,003	23,681
	<u>168,633</u>	<u>175,334</u>

## 4 OTHER NET INCOME

	Six months ended June 30,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income from bank deposits	1,941	543
Government grants <sup>(i)</sup>	81,254	62,678
Net exchange gains/(losses)	8,649	(41,097)
Others	3,435	8,276
Total	<u>95,279</u>	<u>30,400</u>

- (i) For the six months periods ended June 30, 2023, the Group recorded unconditional government grants of RMB81,254 thousand (for the six months ended June 30, 2022: RMB62,678 thousand), as rewards of the Group's contribution to regional economic development.

## 5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

### (a) Finance costs

	Six months ended June 30,	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest expenses on bank loans	55,586	26,184
Interest expenses on lease liabilities	1,602	1,272
Total	<u>57,188</u>	<u>27,456</u>

(b) Other items

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
Amortization		
– intangible assets	1	5
Depreciation		
– property, plant and equipment	6,680	6,634
– right-of-use assets	18,321	16,131
Provision for/(reversal of) impairment losses on other receivables	174	(30)
Auditors' remuneration		
– audit services	3,084	684
Listing expense	–	14,120

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Six months ended June 30,	
	2023 RMB'000	2022 RMB'000
<b>Current tax</b>		
Provision for the period		
– The PRC Corporate Income Tax	162,470	150,238
– Overseas Income Tax	9,199	47,049
	171,669	197,287
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(27,606)	(19,605)
Total	144,063	177,682

- (i) The Company and its branches were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, the Company and its branches within the Group are subject to corporate income tax at the statutory rate of 25% for the six months ended June 30, 2023 unless otherwise specified below.

Pursuant to Caishui [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Announcement [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development Strategy (關於延續西部大開發企業所得稅政策的公告), the Company and certain branches of the Company fall within the state-encouraged industries in the specified western regions and are entitled to enjoy the preferential income tax rate of 15% for the six months ended June 30, 2023.

- (ii) Taxation for other major overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries and the applicable statutory income tax rates were listed in table below.

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
Thailand	<b>20%</b>	20%
Vietnam	<b>20%</b>	20%

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the interim period.

- (i) The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB803,669 thousand (for the six months ended June 30, 2022: RMB857,357 thousand).
- (ii) Weighted average number of ordinary shares:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	2022
Issued ordinary shares at January 1,	<b>467,368,802</b>	453,073,902
Effect of conversion of capital reserves into share capital	<b>934,737,604</b>	906,147,804
Effect of issuance of ordinary shares	<b>6,033,591</b>	–
Weighted average number of ordinary shares at June 30,	<b>1,408,139,997</b>	1,359,221,706

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended June 30, 2023 and 2022, therefore, diluted earnings per share are the same as the basic earnings per share.

## 8 PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

### (a) Acquisitions and disposals of owned assets

During the six months ended June 30, 2023, the Group acquired items of buildings, machinery, equipment, furniture and others, vehicles, and construction in progress with a cost of RMB2,984 thousand (for the six months ended June 30, 2022: RMB6,233 thousand). Items of machinery, equipment, furniture and others, and vehicles with a net book value of RMB3,181 thousand were disposed of during the six months ended June 30, 2023 (for the six months ended June 30, 2022: RMB474 thousand), resulting in a loss on disposal of RMB45 thousand (for the six months ended June 30, 2022: a gain of RMB34 thousand).

### (b) Right-of-use assets

During the six months ended June 30, 2023, the Group entered into a number of lease agreements for warehouse, and therefore recognized the additions to right-of-use assets of RMB19,135 thousand (for the six months ended June 30, 2022: RMB17,938 thousand).

### (c) Valuation

The fair value of investment properties valued by an independent third party valuer is RMB16,298 thousand as at June 30, 2023 (December 31, 2022: RMB16,275 thousand).

The Group's investment properties are located in the PRC. The fair value measurement of the Group's investment properties is categorized into Level 3 of fair value measurement. The fair value was determined based on the market approach.

## 9 INVENTORIES

	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
Fruits	122,665	328,182
Packing materials and low-value consumables	<u>6,993</u>	<u>9,021</u>
	<b>129,658</b>	337,203
Less: write-down of inventories	<u>(1,400)</u>	<u>(2,951)</u>
	<b><u>128,258</u></b>	<b><u>334,252</u></b>

## 10 TRADE AND OTHER RECEIVABLES

	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
Trade receivables		
– third parties	<b>9,350,238</b>	8,179,203
– related parties	<b>38,543</b>	20,141
Less: losses allowance	<b>(715,834)</b>	(532,064)
Trade receivables, net	<b>8,672,947</b>	7,667,280
Other receivables		
– third parties	<b>33,284</b>	26,004
– related parties	<b>1,262</b>	1,274
Less: losses allowance	<b>(5,251)</b>	(5,077)
Other receivables, net	<b>29,295</b>	22,201
Value Added Tax (“VAT”) recoverable	<b>73,669</b>	42,418
Prepayments	<b>1,374,682</b>	1,264,137
	<b>10,150,593</b>	8,996,036

Trade receivables are due within 180 days from the date of invoice.

Trade receivables of RMB32,445 thousand were pledged for bank loans as at June 30, 2023 (December 31, 2022: RMB11,658 thousand).

## 11 CASH AND CASH EQUIVALENTS

	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
Cash at bank	<b>706,504</b>	149,177
Less: restricted deposits <sup>(i)</sup>	<b>150,000</b>	–
Cash and cash equivalents in the consolidated statements of financial position	<b>556,504</b>	149,177

- (i) Restricted deposits represent the first installment subscription price received from the subscribers (“the Installment from the Subscribers”) pursuant to the share subscription agreements.
- (ii) As at June 30, 2023, cash and cash equivalents placed with banks in Mainland China amounted to RMB549,870 thousand (December 31, 2022: RMB86,165 thousand). Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 12 TRADE AND OTHER PAYABLES

	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
Trade payables	520,495	679,647
Accrued payroll and benefits	35,458	52,239
VAT and other tax payables	18,904	8,797
The Instalments from the Subscribers	150,000	–
Other payables	39,341	27,148
	<u>764,198</u>	<u>767,831</u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

### Aging analysis

As at the end of the reporting period, the aging analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At June 30, 2023 RMB'000</b>	At December 31, 2022 RMB'000
Within 1 year	500,814	667,515
1 to 2 years	11,089	3,687
Over 2 years	8,592	8,445
	<u>520,495</u>	<u>679,647</u>

## 13 CAPITAL AND RESERVES

### (a) Dividends

No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (for the six months ended June 30, 2022: nil).

### (b) Share capital

	<i>Note</i>	<b>Number of shares</b>	<b>RMB'000</b>
<b>Issued and fully paid:</b>			
At December 31, 2022		467,368,802	467,369
Conversion of capital reserves into share capital	<i>(i)</i>	934,737,604	934,737
Issuance of ordinary shares	<i>(ii)</i>	<u>14,960,000</u>	<u>14,960</u>
At June 30, 2023		<u><u>1,417,066,406</u></u>	<u><u>1,417,066</u></u>

- (i) On January 26, 2023, the Company issued new shares by way of capitalization of capital reserves to the shareholders on the basis of 20 new shares for every 10 existing shares held by the shareholders. Based on the total number of shares in issue of 467,368,802 shares as at December 31, 2022, the total number of new shares to be issued by way of capitalization of capital reserves is 934,737,604 shares, including 313,114,814 new domestic shares of the Company issued to domestic shareholders and 621,622,790 new H shares of the Company issued to H shareholders.
- (ii) On April 19, 2023, the Company issued an aggregate of 14,960,000 new shares at an offer price of HK\$23.61 per share pursuant to an Placing Agreement entered into by the Company and the placing agents. The net proceeds (after deducting the commissions and expenses) from the placing amounted to approximately HK\$346.11 million (equivalent to RMB303.11 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2023, the Company continuously focused on managing the entire supply chain for quality fruits grown in the places of origin around the world, especially further expanding its business footprint into fruit categories that enjoy fast-growing market share and of high values in China. Benefiting from the continuous implementation of its development strategies, the Company's business operation realized steady and high-speed growth, further consolidating its leading position in the industry. According to the CIC, the Company became China's largest fruit distributor by sales revenue in 2022; meanwhile, the Company remained the largest distributor of Southeast-Asian fruits, the largest distributor of durian and imported dragon fruits, the second largest distributor of imported longans and a leading distributor of mangosteens, imported cherries and imported grapes, by sales revenue of respective categories in 2022 in China.

In the first half of 2023, the Company made various achievements in revenue growth and cash flow optimization. In the first half of 2023, the Company achieved revenue of approximately RMB8,537.5 million, representing an increase of 19.37% as compared with approximately RMB7,152.2 million in the same period last year. During the Reporting Period, the Company's net profit was approximately RMB802.9 million, representing a decrease of 6.51% as compared with approximately RMB858.8 million in the same period last year. With the expansion of the Company's operation scale and the improvement of its market share, the Company's working capital management capability was constantly improved and cash flow from operating activities was continuously optimized.

#### I. Continuously enhancing the end-to-end supply chain layouts

In the first half of 2023, the Company continued to enhance its advanced digitalized end-to-end fruit supply chain, further strengthened its layouts on procurement, transportation and sales sides, and consolidated its competitive advantages.

- 1. On the procurement side,** the Company continued to deepen its layout on quality sources of fruits around the globe, expanded the procurement channels of Core Products, increased the proportion of durians procured from Vietnam, introduced red-fleshed jackfruits and actively expanded cooperation on direct procurement with quality sources of cherries and other Core Products. As of June 30, 2023, the Company had a rich product portfolio covering 49 fruit categories, selecting and sourcing quality fruits from over 100 places of origin around the world for consumers. The Company operated 16 fruit processing plants and a local team of over 400 employees in the places of origin of the Core Fruit Products in Vietnam and Thailand. In the first half of 2023, the procurement of durians, the Company's Core Product, was further increased in Vietnam, a new procurement area, accounting for 16.90% of the Company's total durian procurements. Leveraging on the seasonal complementation in the ripening time of durians in Vietnam and Thailand, the Company better met the strong demand of Chinese consumers for durians and further enhanced the Company's resource advantages in quality origins. Benefiting from its layout on places of origin, the Company's leading market position was further consolidated.

In addition to fruit import, the Company also actively responded to the rural revitalization strategy of Chinese government. Through strengthening cooperation with the local governments of Pujiang in Sichuan, Fengjie and Tongnan in Chongqing, Zhucheng in Shandong, Guiyang in Guizhou and Changsha in Hunan, the Company will further integrate industrial resources by leveraging on relevant industrial support policies of the local governments, and establish professional procurement subsidiaries, origin operation centers and sorting centers in certain domestic places of origin for quality fruits and jointly establish regional fruit trading centers, digital and intelligent systems for featured fruits, food inspection and testing centers and training bases for agricultural machinery and agricultural service talents. The Company expects to deepen the cooperation with local growers and rural cooperatives to launch more quality domestic fruits with the local characteristics of places of origin. The Company will optimize intra-city transaction platforms, establish transaction platforms for domestic and imported fruits, build and operate demonstration bases for direct procurement and supply of unique fruits and develop unique fruit brands to facilitate the standardization, branding and intensive development of the domestic fruit industry.

- 2. On the logistics side**, in the first half of 2023, the Company continued to improve the distribution efficiency of fruit products through enhancing railway logistics channels, deepening cooperation with ports and shipping companies, obtaining Authorized Economic Operator (“AEO”) advanced certification from the customs and other various measures to reduce costs and improve efficiency. Firstly, the Company firmly seized the strategic opportunities of the opening of the China-Laos Railway and the construction of the New Western Land-Sea Corridor to open new logistics channels. The Company set a precedent in the industry and achieved the successful debut of the “Hongjiu Thai Yummy cold-chain special train for durians” from Laos directly to Chongqing, which will conduct normal operation and radiate to the southwestern area and even the whole country. Compared with the traditional sea and land transportation, the “Hongjiu Thai Yummy cold-chain special train for durians” effectively improved the transportation efficiency of fruit imported from the Southeast Asia, significantly reduced the transportation cost, achieved cost reduction and efficiency improvement and better ensured the freshness of fruit products. With advanced digital systems, the Company developed new management models for railway transportation and further improved the barriers and competitive advantages of the end-to-end supply chain. Secondly, the Company is an advanced certified enterprise with the Chinese AEO certificate (the “**AEO Advanced Certification**”) granted by the China Customs, which means that the Company’s compliance with laws and regulations, trade security, the full-link digital management and control capabilities on supply chains were internationally recognized. The Company can enjoy optimized customs clearance procedures, reduce inspection rates, priority in business handling and other facilitation measures, which will effectively reduce the risks in the Company’s import and export activities, improve the efficiency of logistics and customs clearance, guarantee the transportation efficiency of imported fruits, promote the upgrading of the Company’s supply chain management systems and boost the reputation, brand image and competitiveness of the Company in the global market. Thirdly, the Company formed strategic cooperation with Nansha Port, Qinzhou Port, Shekou Port and other major ports and improved the efficiency of customs clearance through priority in berthing, direct pick-up next to vessels and other models. The Company carried out direct cooperation with COSCO, SITC, WHL and other large shipping enterprises, which will facilitate the Company to obtain continuous and stable supply of berths and competitive shipping prices.

3. **On the sales side**, the Company continued to expand its nationwide sales and distribution network to reach customers of different demographics. As of June 30, 2023, the Company had 24 sales branches and 60 sorting centers across China serving sales to over 300 cities, providing strong support for the Company to better serve its customers. In terms of sales channels, the Company achieved omni-channel coverage through the above nationwide sales and distribution network. The customer types include terminal wholesalers, emerging retailers, supermarket customers and direct sales.

In the first half of 2023, the Company firmly seized the development opportunities arising from the changes of the downstream fresh fruit retail market and continued to expand the sales scale through emerging retail channels. The Company expanded its layout in livestreaming e-commerce, gradually formed one-stop solutions for livestreaming e-commerce fruit supply chain, carried out sales to community property owners through the cooperation with some prominent property management and community services companies and harnessed the advantages of the shipping network covering the whole country in adequately guaranteeing the logistics efficiency and freshness of fruits, improving the sales scale and brand recognition of the Company. In the first half of 2023, the sales revenue of the Company from emerging retailers increased by approximately 40% as compared with the same period last year. Following the trend of consumption recovery in offline marketplaces after the COVID-19 pandemic, the Company actively interacted with large supermarkets and carried out branding campaigns to strengthen the stickiness of end customers and the brand awareness.

## II. Deepening the branding strategy and continuously improving brand influence

The Company continued to deepen its branding strategy and promoted the growth in the market share and sales scale of branded fruit products. In the first half of 2023, the Company's revenue from sales of branded fruits accounted for 73.43% of its operating revenue. Benefiting from the upgrading of the brand positioning and the promotion of the value concept of "*Hongjiu Thai Yummy*" (洪九泰好吃), sales revenue from "*Hongjiu Thai Yummy*" (洪九泰好吃) brand series reached approximately RMB2,890 million, accounting for 46.15% of the sales revenue of branded fruits of the Company.

Adhering to the Company's development vision of "Share the joy of fruit with the world" (全球水果鏈, 共享幸福果), we focused on "*Thai Yummy*" (泰好吃), "*Yopretty*" (越來美), "*Fengshanghao*" (奉上好) and other product series, shared the Company's brand value with consumers and customers and fully upgraded the brand image of the Company's Core Products. Taking into account the characteristics of its consumer groups, the Company further diversified brand promotion channels and methods and continuously boosted online and offline spreading capability. In terms of online efforts, the Company increased its investment in content marketing on new media platforms such as Xiaohongshu and TikTok. The milestone events of the Company such as the opening of the special train for durians fully displayed the Company's scale advantage and the leading high-efficient end-to-end digitalized supply chain system in the industry and strengthened the brand recognition. In terms of offline efforts, the Company widely carried out the "2023 Durian Freedom Festival", the "Southeast Asian Fruit Festival" and other offline branding campaigns to meet the increasingly extensive and diversified consumption demands of consumers. These online and offline integrated highly-efficient marketing and promotion activities helped

the end consumers and customers develop an understanding of the Company's core brand values, showcased the outstanding product quality represented by the brands, presented the comprehensive competitiveness and promising prospects of the enterprise behind the brands, enhanced the brands in people's mind, and further improved the brand recognition and global influence of the Company. While achieving brand appreciation, the brand value also empowered product expansion and promoted the steady development of the Company's branding and differentiation.

### **III. Upgrading digital systems and enhancing digital and intelligent management**

The Company has developed the "HJ Star Bridge" (洪九星橋), a digital management system covering the entire business process of "procurement, transportation and distribution", through which business data on the entire industry chain can be collected and analyzed to drive more scientific and efficient operation and decision-making of the Company and maximize benefits. In terms of procurement management, the system covers the information of domestic and overseas suppliers. Through the collection and analysis of data on key sectors of the supply chain, it assists the Company in accurately making procurement decisions to gain advantages in procurement opportunities and prices. It also provides orchards with sales estimation and facilitates the Company in making production plans, which is beneficial to strengthening the cooperation with orchards and realizing safe and stable supply for the Company. In terms of in-transit container management, the system monitors and tracks the transportation lines, container conditions, product freshness, customs clearance processes and other data, and can flexibly develop logistics portfolios and plans based on customer's time-sensitive demands, market conditions and fluctuations of logistics fees to optimize logistics paths and reduce costs. It allows traceability for the entire distribution chain of fruit products and timely response to abnormalities to effectively reduce distribution levels, improve the operational efficiency of the Company, reduce the loss rate and ensure the quality of products. As for sales management, it manages and serves customers with digital systems and assists the Company in formulating sales strategies and optimal dispatching plans, which is beneficial to obtaining more orders from customers and improving profitability and customer service standard. Meanwhile, the capabilities to collect and analyze massive business data from the entire industry chain also laid foundations for the Company to develop the global fruit industry internet platform.

In the first half of 2023, the Company further refined the temperature and humidity management and control systems and the decision-making mechanism on ports. It upgraded its internet of things devices and officially put them into use, correspondingly optimized and adjusted management and control processes on all links of the supply chain of the Company. Together with the electronic fence technology, it achieved real-time temperature and humidity management and control and GPS location tracking in the full lifecycle of containers, established multi-layered and real-time alarming mechanisms on all links of fruit products and formed data accumulation on container conditions in key sectors to facilitate key management and control. The Company more accurately matched origin and production information, formulated customized transportation temperature control plans for each container of durian based on the ripeness, sales channels and transportation lines of fruit products and made flexible adjustments in a timely manner. It incorporated the summarization and analysis of customs clearance and other data of other products other than fruit at Mohan, Friendship Pass and other important ports and improved the decision-making effect of ports. As a result, it further ensured the fresh quality of fruit products, reduced the loss rate, improved the performance efficiency and the risk management and control capability on supply chains and boosted the digital and intelligent business management of the Company.

#### **IV. Promoting the implementation of financing, enhancing internal control and management and improving capital strength and operational capability**

During the Reporting Period, fully utilizing the role of capital market in allocating superior resources, the Company completed the placement of new H shares under the general mandate, advanced the placement of domestic shares, replenished the working capital through two rounds of financing, enhanced the capital strength and anti-risk capacity of the Company, optimized the capital structure and facilitated the healthy and sustainable development of the principal business of the Company.

With the expansion of the business scale and the increase in the market share of the Company, its bargaining power among upstream and downstream companies was further strengthened. The credit periods of the prepayments of the Company were optimized correspondingly and the working capital management capability was constantly improved. While ensuring the stable supply of fruits from origins, the Company adjusted payment schedule. The turnover days of prepayments further decreased to 33.4 days from 38.3 days at the end of 2022. Meanwhile, to maintain its high-quality development, the Company enhanced customer credit management, refined the payment periods of customers with different credit ratings and actively adjusted the customer structure based on credit. The proportion of sales revenue from emerging retailers increased from 19.92% to 23.38%. In the first half of 2023, the Company's net cash outflow from operating activities decreased by 58.42% as compared with the same period last year, which demonstrated the continuous improvement of cash flow of the Group.

#### **V. Actively fulfilling social responsibilities and promoting the high-quality development of the industry**

During the Reporting Period, the Company actively implemented the “Belt and Road” Initiative and the rural revitalization strategy of Chinese government. Through the expansion in Southeast Asia and other overseas origins of fruits, the establishment and continuous upgrading of the digital supply chain system and the continuing high growth in import share were achieved. The Company integrated into the joint construction of the New Western Land-Sea Corridor, constantly consolidated its logistics layout and assisted in building the fruit distribution hub and the import and export transaction platform, facilitating the development of relevant industries and the economic growth in countries and regions along the “Belt and Road” Initiative.

Meanwhile, the Company cooperated with local governments of domestic places of origin for quality fruits in developing demonstration projects in the branded fruit industry, integrated resources of places of origin and gave full play to the comprehensive advantages of the Company's advanced end-to-end digitalized supply chain and the sales and distribution network across China, which promoted the standardization, branding and intensive development of the domestic fruit industry, promoted the optimization and upgrading of the industry, facilitated output increase in orchards and income increase of growers, increased employment and brought extensive economic and social benefits. The Company was awarded the “Top 10 Brand Cases of Growth Enterprises in the Featured Fruit Industry” at the 1st China Rural Revitalization Brands Conference hosted by the Xinhua News Agency, recognizing the Company for promoting the development of the fruit industry and making branding become a driving force in rural revitalization.

## RECENT BUSINESS DEVELOPMENT

### 1. Successful debut of the “Hongjiu Thai Yummy (洪九泰好吃) special train for durians”

In June 2023, the “Hongjiu Thai Yummy cold-chain special train for durians” with 28 railway containers successfully made its debut. It is the first cold-chain special train for durians crossing China, Laos and Thailand (Vientiane in Laos - Jiangjin in Chongqing - Chengdu in Sichuan) in the New Western Land-Sea Corridor and operated by Chongqing International Logistics Group together with Jiangjin District and Hongjiu Fruit with great significance and influence in improving the cold-chain efficiency of the New Western Land-Sea Corridor and serving the high-quality life in the Chengdu-Chongqing economic circle.

Compared with traditional sea and land transportation, the cold-chain special train effectively improves the transportation efficiency of fruit imported from the Southeast Asia, reduces the transportation cost and achieves cost reduction and efficiency improvement. Meanwhile, it can better ensure the freshness of fruit products and allow fruits from the Southeast Asia to enter the “fast lane” in China. With shorter time, higher quality and more favorable prices, it provides domestic consumers with better consumption experience and allows consumers to achieve “durian freedom”. The opening of the trial cold-chain train lays market and operation foundations for its normalized opening in the future and is beneficial for the Company to continuously consolidate the advantages of its end-to-end supply chain.

### 2. Completing advanced certification on Authorized Economic Operator (“AEO”)

In June 2023, the Company successfully obtained the AEO Advanced Certification from the customs and became the first enterprise in Chongqing engaged in fruit trade with advanced certification from the customs. The AEO Advanced Certification means that the Company has adopted a set of effective management procedures, passed the standards on the compliance, reliability and safety of global logistics chains, including relevant obligations on taxation and customs, through voluntary compliance, and obtained international recognition, thereby reducing potential risks on import and export businesses to the minimum level.

AEO is the abbreviation for authorized economic operator. Enterprises that passed the preliminary review are recognized with low risks in the AEO program, thereby allowing more efficient border inspection procedures for them. In addition, the membership under the AEO program can provide more convenience to importers, exporters, carriers and other multi-party trade and transactions in the supply chain and improve their market capabilities and global competitiveness from the following perspectives.

With the AEO Advanced Certification, the Company

- is deemed to have low risks by the customs authorities and is less likely to experience delays in goods as a result of border inspections;
- can enjoy convenience with quicker border inspections and faster business resumption after the suspension of borders. As a result, it saves time, reduces the risks on damage of perishable goods and makes the efficiency of customs clearance at borders more predictable; and

- reduces the risks in relation to the possible falsification of shipping information with various safety measures adopted. It can build the confidence of the customs authorities on the Company and enhance the reputation and market capability of the Company.

In view of the above, the AEO Advanced Certification will accurately improve our efficiency in customs clearance, guarantee the transportation efficiency of our imported fruit and win more time for the shelf life of our imported fruit. We believe that with the completion of the AEO Advanced Certification, it will further strengthen our competitiveness, facilitate us to further upgrade our supply chain management systems and deeply participate in international trade.

### **3. Being awarded the “Top 10 Brand Cases of Growth Enterprises in the Featured Fruit Industry” at the 1st China Rural Revitalization Brands Conference**

In April 2023, we were awarded the “Top 10 Brand Cases of Growth Enterprises in the Featured Fruit Industry” at the 1st China Rural Revitalization Brands Conference hosted by the Xinhua News Agency, recognizing us for promoting the development of the fruit industry and making branding become a driving force in rural revitalization. In the future, we will vigorously facilitate rural revitalization, increase the income of farmers and contribute to the high-quality development of the industry.

## **OUTLOOK, FUTURE PROSPECTS AND STRATEGIES**

**The efficient end-to-end supply chain is a core factor to the Company’s success and competitive advantage. The Company plans to further improve its fruit supply chain. Specifically, the Company will:**

- further expand its upstream procurement network and increase penetration. In terms of the overseas end, the Company will actively expand its local business layout in overseas places of origin for quality fruits, appropriately expand its proven local expansion in Thailand and Vietnam to more countries and regions such as the Philippines and Chile. At the same time, the Company will expand overseas teams and establish direct cooperation with local orchards to shorten the procedures in the supply chain to the maximum extent. In terms of the domestic end, the Company will establish professional procurement subsidiaries in certain domestic places of origin for quality fruit and deepen cooperation with local growers and rural cooperatives to launch more quality fruit with the characteristics of places of origin. The Company will cooperate with local governments in developing demonstration projects in the brand fruit industry, facilitate the standardization and branding development of the domestic fruit industry and promote the optimization and upgrading of the industry;
- expand its sales and distribution network and establish new sales branches across China to enhance its service capability. Meanwhile, the Company will further display its advantages in the supply chain, closely follow new changes in the fruit retail market and expand the proportion of supermarkets and emerging retail channels. For instance, the Company actively deployed on-demand retail and community-based fresh-food chain stores, and continued to provide one-stop solutions on fruit supply chains for the livestreaming e-commerce with rapid growth to seize new growth opportunities;

- continue to further develop its existing advantageous categories, increase the revenue and proportion of the six Core Categories, and continue to develop new categories based on the existing Core Categories; and
- strengthen its management capacity on logistics and warehousing. For instance, by propelling the cooperation with core ports, large shipping enterprises and new land and sea channels, the Company will explore new logistics channels, further consolidate the logistics layout to assist in building the fruit distribution hub and promote the high-efficient integration of logistics, trade and industries.

**In addition, brand awareness and recognition are the keys to the long-term development of the Company and it will continue to deeply promote its branding strategy. Specifically, the Company will:**

- improve its brand awareness through optimizing marketing and promotion strategies. With the market as the orientation, the Company will further provide more products catering to prevailing consumers' needs and increase investments. Through the clear brand positioning and product hierarchy, the sharing of brand value, the upgrading of the brand image, the optimization of brand publicity methods and other various manners, the Company will continuously improve its brand awareness and influence and establish a strong connection between “Hongjiu Fruit” and high-quality fresh fruits; and
- continue to enhance its brand power and provide consumers with lasting favorable impressions of the premium attributes of our quality fruit products. We believe that a good product speaks for itself. The Company will continue to optimize upstream cultivation partnerships and seek more premium places of origin. It will continuously present consumers with high-quality, healthy, delicious and differentiated branded fruit products while controlling product quality by serving local orchards from cultivation and perfecting processing and operation capabilities.

**Furthermore, digital system upgrade and global fruit industry internet platform development is also one of the focuses of the Company's future development. Specifically, the Company will:**

- further develop and upgrade its “HJ Star Bridge” (洪九星橋) system and conduct more refined management on goods at the shipping port and the destination port in international logistics. The Company will optimize the system based on the demand in railway transportation management and conduct in-depth analysis on the entire-chain data covering places of origin, logistics and places of sale to support business decision-making; and
- create an internet platform for the fruit industry. The Company will track and trace orchards before, during and after cultivation, interconnect digital interfaces of companies in the distribution link, improve the efficiency of information transmission among enterprises and generate more diversified data analysis solutions based on the big data on the industry accumulated by the platform.

**Finally, the Company will further strengthen internal control and management, upgrade information systems on finance and contract management, optimize remuneration systems, improve talent incentive mechanisms and consolidate the functional management and talent foundation for the rapid development of the Company.**

## FINANCIAL REVIEW

### Revenue

Our revenue increased by 19.37% from approximately RMB7,152.2 million in the six months ended June 30, 2022 to approximately RMB8,537.5 million in the six months ended June 30, 2023. The increase in revenue was primarily due to the increase in sales volume of our fruit products, driven by increased market demands for our quality fruit products as a result of customers' recognition on our strong supply chain management capabilities and brand image, with the sales revenue of Core Products growing faster than total revenue and the growth of sales revenue from our top five customers also effectively giving play to the demonstrative effect of top customers.

### Revenue from Sales of Fruits by Categories

The table below sets forth the revenue contribution of our fruit products by category, each expressed as an absolute amount and as a percentage of our total revenue, for the periods indicated.

	Six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage (%)</i>	<i>RMB'000</i>	<i>Percentage (%)</i>
Core Fruit Products	<b>4,265,793</b>	<b>49.97</b>	3,517,439	49.18
Other fruit products	<b>4,271,692</b>	<b>50.03</b>	3,634,789	50.82
Total	<b><u>8,537,485</u></b>	<b><u>100</u></b>	<b><u>7,152,228</u></b>	<b><u>100</u></b>

The Company regarded the six fruit categories including durian, dragon fruit, longan, grape, cherry and mangosteen as the Core Fruit Products of the Company. The sales of our Core Fruit Products increased by 21.28% from approximately RMB3,517.4 million in the six months ended June 30, 2022 to approximately RMB4,265.8 million in the six months ended June 30, 2023, representing 49.18% and 49.97% of our total revenue for the relevant periods. The increase in the revenue from the Core Fruit Products was primarily because the Company further increased the purchase quantity of durians in Vietnam upon expanding the purchase areas of durians at the end of last year, and took advantage of the seasonal complementarity between Thailand and Vietnam to better meet the strong market demands of domestic consumers for durians. At the same time, the Company improved the logistics and transportation efficiency and reduced product damage rate making sure that the fruits can be delivered to consumers with fresher quality within a shorter time. The overall sales of our durian products increased by 15.15% as compared to the first half of 2022. With the relief of COVID-19 pandemic control measures, growing market consumption demand and accelerated customs clearance, the Company has increased its procurement of imported grapes and dragon fruits, and thus the sales of grapes and dragon fruits increased by 149.66% and 19.48%, respectively, as compared with the first half of last year.

## Revenue from Sales of Fruits by Brands

	Six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	<i>Percentage (%)</i>	<i>RMB'000</i>	<i>Percentage (%)</i>
Branded Fruit Products	<b>6,268,868</b>	<b>73.43</b>	5,297,707	74.07
Unbranded Fruit Products	<b>2,268,617</b>	<b>26.57</b>	1,854,521	25.93
Total	<b>8,537,485</b>	<b>100</b>	<b>7,152,228</b>	<b>100.0</b>

Sales of our branded fruit products increased by 18.33% from approximately RMB5,297.7 million in the six months ended June 30, 2022 to approximately RMB6,268.9 million in the six months ended June 30, 2023, representing 74.07% and 73.43% of our total revenue for the relevant periods. The increase in absolute amount was mainly due to the increase in market demand resulting from our successful branding strategy as we continued to further promote our branding strategy, upgrade the positioning of our core brands and enhance value dissemination.

## Cost of Sales

Cost of sales increased by 24.59% from approximately RMB5,798.9 million in the six months ended June 30, 2022 to approximately RMB7,224.9 million in the six months ended June 30, 2023. The increase was generally in line with the increase in the sales volume of the Company.

## Gross Profit and Gross Profit Margin

Our gross profit decreased by 3.01% from approximately RMB1,353.4 million in the six months ended June 30, 2022 to approximately RMB1,312.6 million in the six months ended June 30, 2023. Our gross profit margin decreased from 18.92% in the six months ended June 30, 2022 to 15.37% in the six months ended June 30, 2023, primarily because (i) the gross profit margin of durian, one of the Core Categories, increased at a relatively fast pace due to the changes in supply and demand in the first half of 2022; and (ii) the overall import volume of the Core Categories continued to recover, and the changes in market supply and demand brought down prices of durians and other categories with the relief of COVID-19 pandemic control measures, resulting in the decline in the price of our products as a result of changes in market prices. During the previous year, the Company gained a higher bargaining power in the sales channels and further enhanced its position in the industry through preliminary market layout and integration.

## Selling and Distribution Expenses

Our selling and distribution expenses increased by 22.34% from approximately RMB99.0 million in the six months ended June 30, 2022 to approximately RMB121.1 million in the six months ended June 30, 2023. The increase in selling and distribution expenses was primarily due to (i) the increase in staff costs to support our business growth; and (ii) our enhanced brand promotion efforts to promote our branding strategy and enhance our brand awareness and consumer loyalty.

## **Administrative Expenses**

Our administrative expenses increased by 0.17% from approximately RMB94.9 million in the six months ended June 30, 2022 to approximately RMB95.0 million in the six months ended June 30, 2023. The increase in administrative expenses was primarily due to (i) the increase in our staff costs as a result of the expansion of our business; and (ii) the payments for various service fees to intermediaries in connection with the preparation for the listing of the H Shares on the Main Board of the Stock Exchange by the Company in the same period of the previous year, which reduced in the Reporting Period. Meanwhile, the Company promoted the decrease in the administrative expenses through a series of measures to reduce costs and improve efficiency.

## **Impairment Losses on Trade Receivables**

Impairment losses on trade receivables increased by 47.76% from approximately RMB124.4 million for the six months ended June 30, 2022 to approximately RMB183.8 million for the six months ended June 30, 2023. This was primarily because (i) the Company's trade receivables increased; and (ii) affected by the COVID-19 pandemic and the macroeconomic environment, certain customers, especially regional terminal wholesalers and small supermarket customers, have experienced difficulties in daily operations, and the term of payments to the Company has been extended, which in turn has led to an increase in the turnover days of the Company's trade receivables.

## **Other Net Income**

Other net income increased by 213.42% from approximately RMB30.4 million in the six months ended June 30, 2022 to approximately RMB95.3 million in the six months ended June 30, 2023. The increase in other net income was primarily attributed to the increase in net exchange gains and government grants.

## **Other Expenses**

Other expenses increased by 135.39% from approximately RMB1.6 million in the six months ended June 30, 2022 to approximately RMB3.8 million in the six months ended June 30, 2023. The increase in other expenses was mainly due to the increase in expenses arising from the disposal of office premises of subsidiaries.

## **Income Tax**

Our income tax decreased by 18.92% from approximately RMB177.7 million in the six months ended June 30, 2022 to approximately RMB144.1 million in the six months ended June 30, 2023. The decrease in income tax was primarily in line with our profitability scale.

## **Profit for the Period**

As a result of foregoing, our profit was approximately RMB858.8 million in the six months ended June 30, 2022 and approximately RMB802.9 million in the six months ended June 30, 2023.

## **Basic Earnings Per Share**

Basic earnings per share was RMB0.57 for the six months ended June 30, 2023 (approximately RMB0.63 for the six months ended June 30, 2022).

## **Trade and Other Receivables**

Our trade and other receivables increased by approximately RMB1,154.6 million from approximately RMB8,996.0 million as of December 31, 2022 to approximately RMB10,150.6 million as of June 30, 2023. The turnover days of the trade receivables increased from 144.8 days as of December 31, 2022 to 188.5 days as of June 30, 2023, mainly because in the first half of 2023, affected by the COVID-19 pandemic in the past three years and macroeconomic environment, certain of the Company's downstream customers, especially regional terminal wholesalers and small supermarket customers, encountered difficulties in daily operation, resulting in an extension of the payment period of receivables.

## **Liquidity and Financial Resources**

We have financed our operations primarily through capital contributions by investors, financing for placing of new shares under the general mandate of H shares, first instalment for the issuance of additional domestic shares and borrowings from banks and other financial institutions. Our cash and cash equivalents increased from approximately RMB149.2 million as of December 31, 2022 to approximately RMB556.5 million as of June 30, 2023. Our cash and cash equivalents primarily consist of bank deposits.

Our net current assets increased from approximately RMB6,156.6 million as of December 31, 2022 to approximately RMB7,238.7 million as of June 30, 2023. Our current ratio (current assets/current liabilities) as of June 30, 2023 was approximately 2.93 times, compared to approximately 2.85 times as of December 31, 2022.

Our bank loans increased from approximately RMB2,282.8 million as of December 31, 2022 to approximately RMB2,775.8 million as of June 30, 2023, primarily because we increased bank loans to fund fruit products procurement and expansion of logistics and supply chain facilities in line with our business expansion. Interest is received at fixed interest rate. We did not have any financial instrument for hedging purposes. We recorded gearing ratio (which is calculated using total interest-bearing borrowings minus cash divided by total equity as of the end of the relevant periods and multiplied by 100%) of 33.5% and 27.6% as at December 31, 2022 and June 30, 2023, respectively.

## **Foreign Exchange Risk Management**

The majority of our revenue was received in RMB. We may convert part of RMB received to other currencies to settle foreign currency debts, such as payments to certain suppliers, if any. The absence of available foreign currencies may limit our ability to remit sufficient foreign currency funds or otherwise limit our ability to repay debts denominated in foreign currencies. For the six months ended June 30, 2023, we did not use any long-term contract, monetary borrowing or otherwise to hedge against foreign exchange risks.

## **Contingent Liabilities**

As of June 30, 2023, we had no material contingent liabilities.

## **Pledge of Assets**

As of June 30, 2023, trade receivables of RMB32.445 million were pledged for bank loans. Other than that, the Group did not pledge any group assets.

## **Significant Investments Held**

For the six months ended June 30, 2023, we did not hold any material investments in the equity interest of other companies.

## **Future Plans of Material Investment and Capital Assets**

As of the date of this announcement, the Company does not have any future plans of material investment and capital assets.

## **Material Acquisitions and Disposals of Subsidiaries and Associates**

For the six months ended June 30, 2023, we did not carry out any material acquisitions and disposals of subsidiaries and associates.

## **Human Resources and Emolument Policy**

As of June 30, 2023, we had 2,696 full-time employees. The Group always believes that our long-term growth depends on the expertise, experience and development of our employees. Considering employees as important strategic resources for corporate development, we proactively optimize the talent selection and cultivation system in order to improve the general competitiveness of our employees and their sense of belonging to the Group. We have also improved career development pathways and talent training systems for employees to facilitate their self-growth. The remuneration and benefits for employees of the Group are determined with reference to the market standards as well as individual qualification and experience. Performance bonus is also offered to eligible employees, on a discretionary basis based on the performance of such individuals and the Group, in consideration of the market conditions. Our overall remuneration policy is competitive.

## **SUBSEQUENT EVENTS**

### **Issuance of Domestic Unlisted Ordinary Shares**

References are made to the announcement dated April 4, 2023, the announcements dated May 8, 2023 and July 11, 2023, the circular dated May 15, 2023 and the announcement on the poll results of the 2023 Third Extraordinary General Meeting, the 2023 First Domestic Share Class Meeting and the 2023 First H Share Class Meeting dated May 31, 2023 of the Company, in relation to the Company's proposed issuance of not more than 30,487,802 domestic unlisted ordinary shares. The issue price was RMB16.40 per share, and the total proceeds were expected to be approximately RMB500.00 million. The proceeds were intended to be used for enhancement of the fruits supply chain and replenishment of working capital. As at the date of this announcement, the issuance of domestic unlisted ordinary shares is subject to the fulfillment of the conditions precedent referred to in the announcements and circular, including but not limited to the approval of the China Securities Regulatory Commission.

### **Optimization and Adjustment of Sales Channels**

The Company's emerging retail channels mainly include community group purchase, community-based fresh-food chain stores, on-demand e-commerce, and comprehensive e-commerce. Among them, after the outbreak of the COVID-19 pandemic, the revenue contribution from community group purchase has increased significantly since the end of 2020, and with the recovery of domestic consumption in the post-pandemic period and the availability of more convenient choices for residents' consumption, the importance of community group purchase business in the Company's development strategy has gradually decreased. In light of the current trend of changes in the fresh fruit retail market and the Company's strategic development needs for branding, the Company has shifted its advantageous resources to e-commerce and other sales channels with greater growth potential. Since August 2023, the Company has optimized and adjusted the sorting warehouses in certain cities according to the order volume and the staff at the original sorting warehouses. The adjustment also helped to save the rent of the sorting warehouses and related ancillary equipment costs and labor costs, thereby effectively realizing cost reduction and efficiency improvement.

Save as disclosed in this announcement, after June 30, 2023 and up to the date of this announcement, the Company did not have any significant subsequent event.

## **OTHER INFORMATION**

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of Shareholders' interests. The Company has adopted the code provisions of the CG Code as the basis for its corporate governance practices. During the six months ended June 30, 2023, the Company has complied with the code provisions of the CG Code.

### **COMPLIANCE WITH THE MODEL CODE**

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors and Supervisors. After making the specific enquiries to all Directors and Supervisors, each of them has confirmed that they have complied with the Model Code during the six months ended June 30, 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the six months ended June 30, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely Ms. Xu Kemei (chairperson), Ms. Liu Xiuqin and Mr. An Rui.

The Audit Committee, together with the management, had reviewed the accounting policies and practices adopted by the Group as well as the internal control matters, and had also reviewed the Group's unaudited consolidated financial statements for the six months ended June 30, 2023. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.hjfruit.com](http://www.hjfruit.com)). The interim report of the Company for the six months ended June 30, 2023 containing all information required by the Listing Rules will be despatched to the Shareholders in due course and will be published on the above websites.

## **DEFINITIONS**

In this announcement, unless otherwise indicated by the context, the following terms shall have the following meanings:

“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“China” or “PRC”	the People's Republic of China, and for the purposes of this announcement only, excluding Hong Kong, Macao Special Administrative Region and Taiwan
“CIC”	China Insights Industry Consultancy Limited
“Company”	Chongqing Hongjiu Fruit Co., Limited (重慶洪九果品股份有限公司), a joint stock limited company incorporated in the PRC, listed on the Main Board of the Stock Exchange on September 5, 2022 (stock code: 6689)

“Core Fruits Products” or “Core Products” or “Core Categories”	six fruit categories including durian, dragon fruit, longan, grape, cherry, and mangosteen
“COVID-19”	2019 Coronavirus disease, a disease caused by a novel virus known as severe acute respiratory syndrome coronavirus type 2
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is(are) subscribed for or credited as paid in RMB
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) listed on the Stock Exchange and traded in Hong Kong dollars (stock code: 6689)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the period from January 1, 2023 to June 30, 2023
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

By Order of the Board  
**Chongqing Hongjiu Fruit Co., Limited**  
**Deng Hongjiu**  
*Chairman*

Chongqing, the PRC, August 28, 2023

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