



HONGJIU FRUIT

2023

INTERIM REPORT

重慶洪九果品股份有限公司

CHONGQING HONGJIU FRUIT CO., LIMITED

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

**HONGJIU
THAI YUMMY**



Stock Code : 6689HK

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent non-executive Directors

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

BOARD OF SUPERVISORS

Ms. Yu Lixia
Mr. Huang Hua
Mr. Wu Di
Mr. Deng Yinmei
Mr. Chen Xiangzeng

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

22/F, Block B
Zhongtiefenghui
Donghu South Road
Yubei District
Chongqing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODE

6689

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Deng Haoyu
Ms. Lai Siu Kuen

CORPORATE INFORMATION

AUTHORIZED REPRESENTATIVES

Ms. Tan Bo
Ms. Lai Siu Kuen

AUDIT COMMITTEE

Ms. Xu Kemei (*Chairperson*)
Mr. An Rui
Ms. Liu Xiuqin

REMUNERATION AND EVALUATION COMMITTEE

Mr. Liu Anzhou (*Chairperson*)
Mr. An Rui
Ms. Tan Bo

NOMINATION COMMITTEE

Mr. An Rui (*Chairperson*)
Ms. Liu Xiuqin
Ms. Jiang Zongying

STRATEGIC AND INVESTMENT DECISION COMMITTEE

Mr. Deng Hongjiu (*Chairperson*)
Mr. An Rui
Mr. Yang Junwen

COMPANY WEBSITE

<http://www.hjfruit.com/>

HONG KONG LEGAL ADVISOR

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

COMPLIANCE ADVISOR

Red Sun Capital Limited
Room 310, 3/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

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.



Overview pictures of premium places of origin, plants and transportation

MANAGEMENT DISCUSSION AND ANALYSIS

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.



Quality sources of imported Core Products

MANAGEMENT DISCUSSION AND ANALYSIS

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.



Signing ceremony of cooperative projects with governments in the premium places of origin of domestic fruits

MANAGEMENT DISCUSSION AND ANALYSIS

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.



Imported fruits by sea

MANAGEMENT DISCUSSION AND ANALYSIS

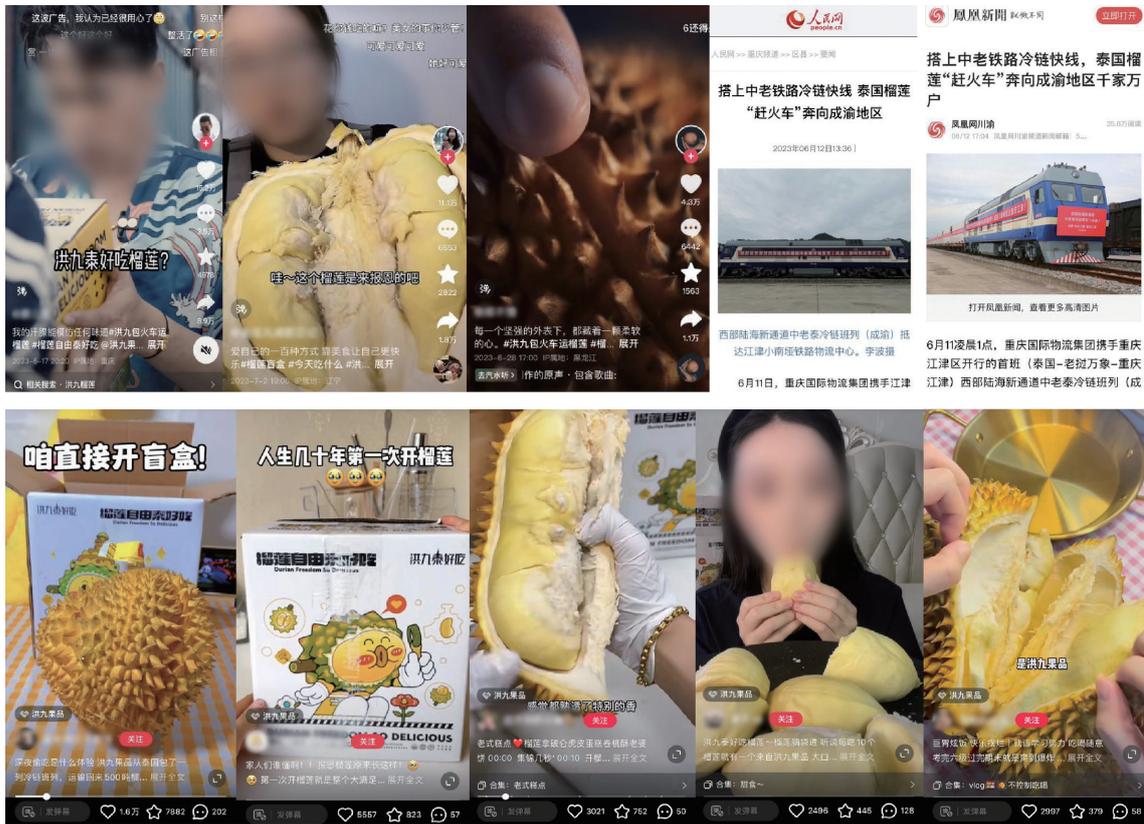
3. **On the sales side**, the Company continued to expand its nationwide sales and distribution network to reach customers of different demographics. As of June 30, 2023, the Company had 24 sales branches and 60 sorting centers across China serving sales to over 300 cities, providing strong support for 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.



Offline branding campaigns

MANAGEMENT DISCUSSION AND ANALYSIS



Marketing on new media platforms

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



Scene and outer packaging of core brands

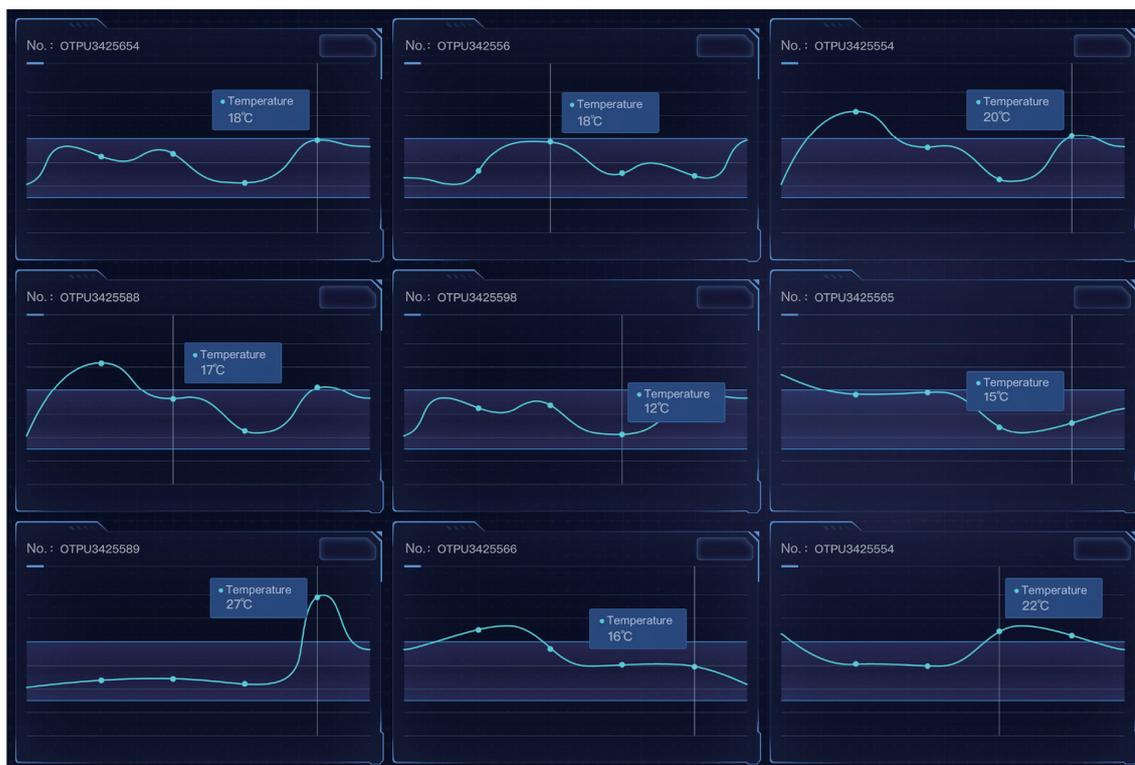
MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS



Upgrading digital system-real-time tracking of temperature and humidity

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.



First trip of Hongjiu Thai Yummy cold-chain special train for durians

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS



AEO Advanced Certificate

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.



“Top 10 Brand Cases of Growth Enterprises in the Featured Fruit Industry” Certificate

MANAGEMENT DISCUSSION AND ANALYSIS

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

MANAGEMENT DISCUSSION AND ANALYSIS

- 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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	
	RMB'000	Percentage (%)	RMB'000	Percentage (%)
Core Fruit Products	4,265,793	49.97	3,517,439	49.18
Other fruit products	4,271,692	50.03	3,634,789	50.82
Total	8,537,485	100	7,152,228	100

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	
	RMB'000	Percentage (%)	RMB'000	Percentage (%)
Branded Fruit Products	6,268,868	73.43	5,297,707	74.07
Unbranded Fruit Products	2,268,617	26.57	1,854,521	25.93
Total	8,537,485	100	7,152,228	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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, the first installment 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, the Company does not have any future plans of material investment and capital assets.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

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

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 belongings 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report, 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 report, after June 30, 2023 and up to the date of this report, the Company did not have any significant subsequent event.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Board endeavors to adhere to the principles of corporate governance and has set and implemented sound corporate governance practices to fulfill the legal and commercial standards in the management structures, internal control, risk management and fair disclosure to achieve effective transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules as its own code of corporate governance. For the six months ended June 30, 2023, the Company has been complying with all the applicable code provisions as set out in the CG Code.

The Company will continue to review its corporate governance practices to ensure its continued compliance of the CG Code, to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements, and to meet the rising expectations of the Shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code for securities transactions by the Directors and Supervisors. Specific enquiries have been made to all the Directors and Supervisors and they have confirmed that they have been complying with the Model Code for the six months ended June 30, 2023.

INTERIM DIVIDEND

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

CAPITALIZATION ISSUE

As resolved by the Board and approved by the Shareholders at the 2022 third extraordinary general meeting, the 2022 first Domestic Share class meeting and the 2022 first H Share class meeting of the Company held on December 30, 2022, the Company transferred 20 shares for every 10 shares from capital surplus to Domestic Shareholders and H Shareholders whose names appear on the register of members of the Company on Friday, January 13, 2023 (the “**Capitalization Issue**”). Based on the 467,368,802 shares of the Company in issue as of October 3, 2022, a total of 934,737,604 shares were transferred, of which 313,114,814 new domestic shares were transferred to Domestic Shareholders and 621,622,790 new H shares were transferred to H Shareholders. The Capitalization Issue was completed on January 27, 2023. Immediately after the completion of the Capitalization Issue, the total number of issued shares of the Company reached 1,402,106,406 shares, including 469,672,221 domestic shares and 932,434,185 H shares. The new H shares under the Capitalization Issue were listed and traded on the Hong Kong Stock Exchange on January 27, 2023.

The Company has also changed the registered capital of the Company and amended the Articles of Association to reflect the change in registered capital as a result of the Capitalization Issue.

OTHER INFORMATION

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Ms. Xu Kemei, Mr. An Rui and Ms. Liu Xiuqin. Ms. Xu Kemei is the chairperson of the Audit Committee.

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.

CHANGES TO DIRECTORS AND SUPERVISORS' INFORMATION

Ms. Fan Weihong, an independent non-executive Director, resigned as an independent non-executive Director and the chairperson of the Audit Committee from February 4, 2023. Upon approval at the first extraordinary shareholders' meeting of the Company in 2023, Ms. Xu Kemei was elected as an independent non-executive Director. Upon approval by the Board, Ms. Xu was elected as a member and the chairperson of the Audit Committee, with a term of office starting from February 4, 2023 and ending at the expiration of the term of office of the fourth session of the Board.

The biographical details of certain non-executive Directors, independent non-executive Directors and Supervisors are updated as follows:

Mr. Dong Jiaxun ("Mr. Dong"), aged 49, is a non-executive Director of the Company. Mr. Dong has been a Director of the Company since July 2019. Mr. Dong has been serving as the managing director at China Merchants Capital Management (Beijing) Co., Ltd. (招商局資本管理(北京)有限公司) since October 2018, primarily responsible for investment, strategic development-related work; a director of Guangxi Liugong Machinery Co., Ltd. (廣西柳工機械股份有限公司) since December 2021. Mr. Dong obtained his bachelor's degree in engineering from Zhejiang University (浙江大學) in China in June 1994.

OTHER INFORMATION

Ms. Liu Xiuqin (“Ms. Liu”), aged 50, is an independent non-executive Director. Ms. Liu has been a Director since July 2020. Ms. Liu worked at Chongqing Jiangbei Fertilizer Co., Ltd. (重慶江北化肥有限公司) from October 1995 to February 2003; and Chongqing Jialing Glass Fiber Co., Ltd. (重慶嘉陵玻璃纖維有限公司) from March 2003 to March 2008. Since June 2007, Ms. Liu has served in various positions, including deputy general manager, director, secretary of the board and head of finance, and was a director from March 2011 and up to the Latest Practicable Date and a vice chairperson from April 2020 and up to the Latest Practicable Date of Chongqing Zaisheng Technology Co., Ltd. (重慶再升科技股份有限公司) (formerly known as Chongqing Zaisheng Technology Development Co., Ltd., a company listed on the Shanghai Stock Exchange with stock code: 603601.SH). Ms. Liu also served as a director of Panasonic Appliances Vacuum Insulation Devices (Chongqing) Co., Ltd. (松下真空節能新材料(重慶)有限公司) from September 2015 to February 2019, and was responsible for providing strategic advice. Ms. Liu has been serving as an executive director, the manager and the legal representative of Chongqing Zaishengde Export & Import Co., Ltd. (重慶再盛德進出口貿易有限公司) since January 2016; a supervisor of Chongqing Fiber Research and Design Institute Co., Ltd. (重慶纖維研究設計院有限公司) since September 2015; and a director of Suzhou U-air Environmental Technology Co., Ltd. (蘇州悠遠環境科技有限公司) from August 2017 to June 2022 responsible for providing strategic advice. In addition, Ms. Liu also served as a director of Shenzhen China Textile Filters Technology Co., Ltd. (深圳中紡濾材科技有限公司) from November 2019 to June 2021 and was responsible for providing strategic advice. She served as an executive director, the manager and the legal representative of Chongqing Fusheng Chilled Fresh Tasty Technology Co., Ltd. (重慶復升冷鮮香科技有限公司) from October 2022 to May 2023. Ms. Liu obtained her master’s degree in business management from the School of Economics and Business Administration, Chongqing University (重慶大學經濟與工商管理學院) in China in July 2019. Ms. Liu became a senior economist as certified by Chongqing Yubei District Professional Title Reform Office (重慶市渝北區職稱改革辦公室) in May 2018 and held a qualification certificate of independent director granted by the Shanghai Stock Exchange in July 2020. She also held a certificate of secretary of the board of directors granted by the Shenzhen Stock Exchange and the Shanghai Stock Exchange in 2011 and subsequent year, respectively. She served as a member of the Chongqing Yubei District Committee of the CPPCC in January 2022. She served as a vice president of the Yubei District Federation of Industry and Commerce from June 2016 to June 2021, and has been serving as a vice chairperson of the Yubei District Federation of Industry and Commerce since June 2021.

Mr. Wu Di (“Mr. Wu”), aged 40, is a Supervisor. Mr. Wu has been serving as a Supervisor since December 2020. Prior to joining the Group, Mr. Wu worked at Guangdong Zhuoxin Law Firm (廣東卓信律師事務所) from January 2006 to October 2011; at Hainan Nongken Livestock Group Co., Ltd. (海南農墾畜牧集團股份有限公司) from November 2011 to August 2013; at Hainan Ocean Development Co., Ltd. (海南省海洋發展有限公司) from October 2013 to June 2016; at Hainan Financial Holdings Co., Ltd. (海南金融控股股份有限公司) from July 2016 to April 2017; and at Hainan Nongken Equity Investment Fund Management Co., Ltd. (海南農墾基金管理有限公司) from July 2017 to December 2022. He has been serving as a deputy general manager of Chuanzhenxing (Hainan) Private Equity Fund Management Co., Ltd. (川振興(海南)私募基金管理有限公司) since September 2023.

Save as disclosed in this report, the Company is not aware of any changes in the information of Directors, Supervisors and chief executives which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since January 1, 2023 and up to the Latest Practicable Date.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The H Shares of the Company were listed on the Stock Exchange on September 5, 2022 and the Overallotment Option (as defined in the Prospectus) was partially exercised on September 28, 2022. The Company issued a total of 14,294,900 new shares at an issue price of HK\$40.00 per share in connection with its Global Offering and the partial exercise of the Over-allotment Option, and the total proceeds raised by the Company from the issuance of new shares in connection with its Global Offering and the partial exercise of the Overallotment Option (the "Previous Proceeds") amounted to HK\$571.80 million, and the actual Previous Proceeds after deduction of underwriting fees and related transaction costs amounted to HK\$559.13 million, and the amount transferred to the RMB settlement account pending payment at the spot exchange rate was RMB509.01 million. At the Board meeting held on March 14, 2023 and the 2023 second extraordinary general meeting held on April 4, 2023, the Company considered and approved the resolution in relation to the change in use of part of the Previous Proceeds (the "Change"). As of June 30, 2023, the Previous Proceeds have been fully utilized, the use of which is consistent with the use after the Change, details of which are as follows:

Intended use of net Previous Proceeds	Allocation of net Previous Proceeds (RMB in million)	Percentage of total net Previous Proceeds (%)	Expected timetable for use of the unutilized net Previous Proceeds
For the improvement of our fruit supply chain	342.99	67.3	N/A
For fruit brand building and product promotion	80.35	15.8	N/A
For digital system upgrade and global fruit industry internet platform development	0.77	0.2	N/A
For repayment of bank loans	34.00	6.7	N/A
For replenishing working capital needs and other general corporate purposes	50.90	10.0	N/A
Total	509.01	100	

OTHER INFORMATION

USE OF PROCEEDS FROM THE H SHARE PLACING

References are made to the announcements of the Company dated April 12, 2023 and April 19, 2023 (the “Announcements”) in relation to the entering into of the placement agreement and supplemental placing agreement between the Company and two placing agents on April 12, 2023 for placement of new H Shares of the Company for the purpose of enhancement of fruits supply chain and replenishment of working capital, and the successful allotment and issue of a total of 14,960,000 new H Shares at a placing price of HK\$23.61 per H Share (whilst the closing price per H Share was HK\$29.50 on April 11, 2023) to 23 placees (the placees and their respective ultimate beneficial owners are not connected persons of the Company) on April 19, 2023 (the “Placing”) for gross proceeds from the Placing (the “Proceeds from the Placing”) of approximately HK\$353.21 million in aggregate and net proceeds from the Placing (after deduction of commissions and estimated expenses) of approximately HK\$344.86 million in aggregate, and the amount transferred to the RMB settlement account pending payment at the spot exchange rates of RMB312.09 million. The net price per H Share under the Placing was HK\$23.05. As of June 30, 2023, details of the Group’s use of all the proceeds from the Placing in the manner as disclosed in the Announcements are as follows:

Intended use of net Proceeds from the Placing	Allocation of net Proceeds from the Placing (RMB in million)	Percentage of total net Proceeds from the Placing (%)	Amount of net Proceeds from the Placing utilized as of June 30, 2023 (RMB in million)	Balance of net Proceeds from the Placing unutilized as of June 30, 2023 (RMB in million)	Expected timetable for use of the unutilized net Proceeds from the Placing
For strengthening the fruit supply chain	218.46	70	218.46	0	Before December 31, 2023
For replenishing working capital	93.63	30	93.53	0.1	Before December 31, 2023
Total	312.09	100	311.99	0.1	

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

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2023, the interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or (c) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Name of Directors/ Supervisor/chief executive	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares (%) ⁽¹⁾	Approximate percentage in total share capital (%) ⁽¹⁾
Mr. Deng Hongjiu ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	305,221,080	64.99%	21.54%
	Interest of spouse	Domestic Shares	64,089,975	13.65%	4.52%
	Beneficial owner	H Shares	154,109,970	16.27%	10.88%
	Interest of spouse	H Shares	64,089,975	6.76%	4.52%
	Interest in controlled corporation	H Shares	38,515,050	4.07%	2.72%
Ms. Jiang Zongying ⁽²⁾⁽³⁾	Beneficial owner	Domestic Shares	64,089,975	13.65%	4.52%
	Interest of spouse	Domestic Shares	305,221,080	64.99%	21.54%
	Beneficial owner	H Shares	64,089,975	6.76%	4.52%
	Interest of spouse	H Shares	192,625,020	20.33%	13.59%
Mr. Peng He	Beneficial owner	Domestic Shares	2,515,500	0.54%	0.18%
	Beneficial owner	H Shares	2,515,500	0.27%	0.18%
Mr. Yang Junwen ⁽⁴⁾	Beneficial owner	Domestic Shares	1,462,500	0.31%	0.10%
	Beneficial owner	H Shares	1,462,500	0.15%	0.10%
	Interest of spouse	Domestic Shares	292,500	0.06%	0.02%
	Interest of spouse	H Shares	292,500	0.03%	0.02%
Ms. Tan Bo	Beneficial owner	Domestic Shares	1,462,500	0.31%	0.10%
	Beneficial owner	H Shares	1,462,500	0.15%	0.10%
Ms. Yu Lixia	Beneficial owner	Domestic Shares	760,500	0.16%	0.05%
	Beneficial owner	H Shares	760,500	0.08%	0.05%

OTHER INFORMATION

Notes:

1. As at June 30, 2023, the Company had 1,417,066,406 issued Shares, comprising 469,672,221 Domestic Shares and 947,394,185 H Shares.
2. As at June 30, 2023, Mr. Deng was the sole general partner of each of Chongqing Heli and Chongqing Hezhong, the Employee Incentive Platforms. Chongqing Heli was held as to approximately 25.06% by Mr. Deng and Chongqing Hezhong was held as to approximately 8.44% by Mr. Deng, respectively. As such, Mr. Deng was deemed to be interested in the 38,515,050 H Shares held by Chongqing Heli and Chongqing Hezhong under the SFO. Ms. Jiang is the spouse of Mr. Deng and therefore, each of Ms. Jiang and Mr. Deng was deemed to be interested in the Shares held by each other under the SFO.
3. Pursuant to the Entrustment Agreement entered into among Mr. Deng, Mr. Deng Haoji and Ms. Deng Haoyu, the respective voting rights attached to the Shares held by Mr. Deng Haoji and Ms. Deng Haoyu have been entrusted to Mr. Deng solely and exclusively since the date when Mr. Deng Haoji and Ms. Deng Haoyu acquired equity interest in the Company from Mr. Deng in October 2020. Therefore, Mr. Deng was deemed to be interested in the Shares and voting rights held by each of Mr. Deng Haoji and Ms. Deng Haoyu under the SFO.
4. Mr. Yang Junwen is the spouse of our Shareholder Ms. Yu Wenli. Under the SFO, each of Ms. Yu Wenli and Mr. Yang is deemed to be interested in the Shares that the other person is interested in.
5. All interests stated above are long positions.

Save as disclosed above, as at June 30, 2023, none of the Directors, Supervisors and chief executive of the Company had or were deemed to have any interests or short positions in Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and the Company are aware, as at June 30, 2023, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholders	Nature of interests	Class of Shares	Number of Shares/ Underlying Shares ⁽¹⁾	Approximate percentage in relevant class of Shares (%) ⁽¹⁾	Approximate percentage in total share capital (%) ⁽¹⁾
Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ⁽²⁾	Beneficial owner	H Shares	108,737,739	11.48%	7.67%
Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司) ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Taobao China Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Taobao Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
Alibaba Group Holding Limited ⁽²⁾	Interest in controlled corporation	H Shares	108,737,739	11.48%	7.67%
China Agricultural Reclamation Industry Development Fund (Limited Partnership) ⁽³⁾	Beneficial owner	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
Zhaoken Capital Management (Beijing) Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
Beidahuang Investment Holding Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
Shenzhen Zhaorong Agricultural Management Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
Shenzhen Zhaorong Investment Holding Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
China Merchants Steamship Co., Ltd. ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
China Merchants Group Limited ⁽³⁾	Interest in controlled corporation	Domestic Shares	71,614,476	7.56%	5.05%
		H Shares	17,903,619	3.81%	1.26%
Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) ⁽⁴⁾	Beneficial owner	H Shares	54,899,649	5.79%	3.87%
Chongqing Industry Guidance Equity Investment Fund Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	H Shares	63,851,454	6.74%	4.51%
Chongqing Yibainian Equity Investment Fund Management Co., Ltd. ⁽⁴⁾	Interest in controlled corporation	H Shares	54,899,649	5.79%	3.87%
Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership)	Interest in controlled corporation	H Shares	54,899,649	5.79%	3.87%

OTHER INFORMATION

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

Notes:

- As at June 30, 2023, the Company had 1,417,066,406 issued Shares, comprising 469,672,221 Domestic Shares and 947,394,185 H Shares.
- As at June 30, 2023, Alibaba (China) Network Technology Co., Ltd. was held by Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. as to approximately 57.59% and 35.75% respectively. Each of Taobao (China) Software Co., Ltd. and Zhejiang Tmall Technology Co., Ltd. was a wholly-owned subsidiary of Taobao China Holding Limited, which was in turn wholly-owned by Taobao Holding Limited. Taobao Holding Limited was a wholly-owned subsidiary of Alibaba Group Holding Limited. As such, each of Taobao (China) Software Co., Ltd., Zhejiang Tmall Technology Co., Ltd., Taobao China Holding Limited, Taobao Holding Limited and Alibaba Group Holding Limited was deemed to be interested in the 108,737,739 H Shares held by Alibaba (China) Network Technology Co., Ltd. under the SFO.
- As at June 30, 2023, the general partner of China Agricultural was Zhaoken Capital Management (Beijing) Co., Ltd., which was in turn wholly-owned by Shenzhen Zhaorong Agricultural Management Co., Ltd.. Shenzhen Zhaorong Agricultural Management Co., Ltd. was wholly-owned by Shenzhen Zhaorong Investment Holding Co., Ltd., a wholly-owned subsidiary of Merchants Steamship. Merchants Steamship was wholly-owned by China Merchants Group Limited. In addition, Beidahuang Investment Holding Co., Ltd. was a limited partner of China Agricultural which holds approximately 39.97% of interest in China Agricultural. As such, each of Zhaoken Capital Management (Beijing) Co., Ltd., Beidahuang Investment Holding Co., Ltd., Shenzhen Zhaorong Agricultural Management Co., Ltd., Shenzhen Zhaorong Investment Holding Co., Ltd., China Merchants Steamship Co., Ltd. and China Merchants Group Limited was deemed to be interested in the 17,903,619 Domestic Shares and 71,614,476 H Shares held by China Agricultural Reclamation Industry Development Fund (Limited Partnership) under the SFO.
- As at June 30, 2023, Chongqing Yeruhongtu Innovation Equity Investment Fund Partnership (Limited Partnership) and Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) were held by Chongqing Industry Guidance Equity Investment Fund Co., Ltd. as to approximately 24.75% and 49.34% respectively. In addition, Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership) held 41.12% interests in Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership), which was held by Chongqing Yibainian Equity Investment Fund Management Co., Ltd. as to 1.32%. As such, each of Chongqing Industry Guidance Equity Investment Fund Co., Ltd., Chongqing Yibainian Equity Investment Fund Management Co., Ltd. and Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership) was deemed to be interested in the 54,899,649 H Shares held by Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) under the SFO.

OTHER INFORMATION

5. As at June 30, 2023, Suzhou Zhilan Equity Investment Center (Limited Partnership), Suzhou Junyi Equity Investments Center (Limited Partnership), Suzhou CMC Industry II Equity Investment Center (Limited Partnership) and CMC II (Shanghai) Equity Investment Center (Limited Partnership) were controlled by Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) as their respective general partner, which was in turn controlled by CMC (Shanghai) Equity Investment Management Co., Ltd. as its general partner. CMC (Shanghai) Equity Investment Management Co., Ltd. was held by Mr. Li Ruigang as to approximately 99%. As such, each of Shanghai CMC Industry Equity Investment Management Center (Limited Partnership), Suzhou Junyi Equity Investments Center (Limited Partnership), CMC II (Shanghai) Equity Investment Center (Limited Partnership), CMC (Shanghai) Equity Investment Management Co., Ltd. and Mr. Li Ruigang was deemed to be interested in the 14,721,612 Domestic Shares and 58,886,445 H Shares held by Suzhou Zhilan Equity Investment Center (Limited Partnership) under the SFO.
6. All interests stated above are long positions.

Save as disclosed above, as at June 30, 2023, the Directors and the Company were not aware of any other person (other than the Directors or Supervisors or chief executive of the Company) owns interests and short positions in the Shares and underlying Shares which shall be disclosed in accordance with Divisions 2 and 3 of Part XV of the SFO, or interests or short positions in 5% or above of relevant class of Shares that the Company must record in the register according to section 336 of the SFO.

DIRECTORS AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended June 30, 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of Shares or debentures of the Company or any other body corporate, and none of the Directors or Supervisors or their spouse and children under the age of 18 was given any right to subscribe for the equity or debt securities of the Company or any other body corporates, or had exercised any such rights.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

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

The notes on pages 42 to 52 form part of the interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

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

The notes on pages 42 to 52 form part of the interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in RMB)

	Note	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Non-current assets			
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
		303,236	282,331
Current assets			
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
		10,985,355	9,480,466
Current liabilities			
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
		3,746,663	3,323,830
Net current assets		7,238,692	6,156,636
Total assets less current liabilities		7,541,928	6,438,967
Non-current liabilities			
Lease liabilities		50,809	60,344
Other non-current liabilities		585	485
		51,394	60,829
NET ASSETS		7,490,534	6,378,138

The notes on pages 42 to 52 form part of the interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 – unaudited
(Expressed in RMB)

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

Approved and authorised for issue by the board of directors on 28 August 2023.

Executive director: Deng Hongjiu

Executive director: Tan Bo

The notes on pages 42 to 52 form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

	Attributable to equity shareholders of the Company							Total equity RMB'000
	Share capital RMB'000	Capital reserves RMB'000	PRC statutory reserves RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	
Balance at 1 January 2022	453,074	1,727,308	111,889	(10,836)	2,125,118	4,406,553	3,110	4,409,663
Changes in equity for the six months ended 30 June 2022:								
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
Balance at 30 June 2022 and 1 July 2022	453,074	1,727,308	111,889	(9,213)	2,982,475	5,265,533	4,567	5,270,100
Changes in equity for the six months ended 31 December 2022								
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)	-	-	-
Balance at 31 December 2022	467,369	2,205,027	237,443	10,965	3,451,778	6,372,582	5,556	6,378,138

The notes on pages 42 to 52 form part of the interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

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

The notes on pages 42 to 52 form part of the interim financial report.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30 June 2023 – unaudited
(Expressed in RMB)

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Operating activities		
Cash used in operations	(66,017)	(659,936)
Corporate Income Tax paid		
– The PRC	(188,973)	(82,740)
– Overseas	(58,547)	(11,426)
Net cash used in operating activities	(313,537)	(754,102)
Investing activities		
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)
Net cash generated from investing activities	1,153	4,330
Financing activities		
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)
Net cash generated from financing activities	718,673	896,934
Net increase in cash and cash equivalents	406,289	147,162
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
Cash and cash equivalent at 30 June	556,504	389,049

The notes on pages 42 to 52 form part of the interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

1 BASIS OF PREPARATION

This interim financial report 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 28 August 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 financial report 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 31 December 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 financial report 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of fruits	8,537,485	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 30 June 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 30 June 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 chief executive officer 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

3 REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

4 OTHER NET INCOME

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

- (i) For the six months periods ended 30 June 2023, the Group recorded unconditional government grants of RMB81,254 thousand (for the six months ended 30 June 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 30 June	
	2023 RMB'000	2022 RMB'000
Interest expenses on bank loans	55,586	26,184
Interest expenses on lease liabilities	1,602	1,272
	57,188	27,456

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

5 PROFIT BEFORE TAXATION (Continued)

(b) Other items

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)

- (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 30 June 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 30 June 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.

	Six months ended 30 June	
	2023	2022
Thailand	20%	20%
Vietnam	20%	20%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

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 (six months ended 30 June 2022: RMB857,357 thousand).
- (ii) Weighted average number of ordinary shares:

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

(b) Diluted earnings per share

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

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

(a) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of buildings, machinery, equipment, furniture and others, vehicles, and construction in progress with a cost of RMB2,984 thousand (six months ended 30 June 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 30 June 2023 (for the six months ended 30 June 2022: RMB474 thousand), resulting in a loss on disposal of RMB45 thousand (for the six months ended 30 June 2022: a gain of RMB34 thousand).

(b) Right-of-use assets

During the six months ended 30 June 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 30 June 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 (31 December 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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

10 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Trade receivables		
– third parties	9,350,238	8,179,203
– related parties	38,543	20,141
Less: losses allowance	(715,834)	(532,064)
Trade receivables, net	8,672,947	7,667,280
Other receivables		
– third parties	33,284	26,004
– related parties	1,262	1,274
Less: losses allowance	(5,251)	(5,077)
Other receivables, net	29,295	22,201
Value Added Tax (“VAT”) recoverable	73,669	42,418
Prepayments	1,374,682	1,264,137
	10,150,593	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 30 June 2023 (31 December 2022: RMB11,658 thousand).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

11 CASH AND CASH EQUIVALENTS

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Cash at bank	706,504	149,177
Less: restricted deposits (i)	150,000	–
Cash and cash equivalents in the consolidated statements of financial position	556,504	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 30 June 2023, cash and cash equivalents placed with banks in Mainland China amounted to RMB549,870 thousand (31 December 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

	At 30 June 2023 RMB'000	At 31 December 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
Installments from the Subscribers	150,000	–
Other payables	39,341	27,148
	764,198	767,831

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in RMB unless otherwise stated)

12 TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2023 RMB'000	At 31 December 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
	520,495	679,647

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 30 June 2022: nil).

(b) Share capital

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

(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.

DEFINITIONS

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

“Alibaba”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands with limited liability on June 28, 1999
“Articles of Association” or “Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, for the purpose of this report, excluding Hong Kong, Macao and Taiwan
“CIC”	China Insights Industry Consultancy Limited
“Chongqing Heli”	Chongqing Heli Hongjiu Commerce Center (Limited Partnership) (重慶合利洪九商貿中心(有限合夥)), a limited partnership established under the laws of the PRC on March 10, 2017 and one of our Controlling Shareholders
“Chongqing Hezhong”	Chongqing Hezhong Hongjiu Commerce Center (Limited Partnership) (重慶合眾洪九商貿中心(有限合夥)), a limited partnership established under the laws of the PRC on March 10, 2017 and one of our Controlling Shareholders
“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, the shares of which were listed on the Main board of the Stock Exchange on September 5, 2022 (stock code: 6689)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning defined under the Hong Kong Listing Rules, unless otherwise indicated by the context
“CG Code”	the Corporate Governance Code and the Corporate Governance Report contained in Appendix 14 to the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Deng, Ms. Jiang, Mr. Deng Haoji, Ms. Deng Haoyu, Chongqing Heli and Chongqing Hezhong
“Core Fruits Products” or “Core Products” or “Core Categories”	six fruit categories including durian, dragon fruit, longan, grape, cherry, and mangosteen

DEFINITIONS

“COVID-19”	2019 Coronavirus disease, a disease caused by a novel virus known as severe acute respiratory syndrome coronavirus type 2
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi by domestic investors
“Employee Incentive Platforms”	collectively, Chongqing Heli and Chongqing Hezhong
“Global Offering”	the Hong Kong Public Offering and the International Offering of the H Shares of Company and the listing of such Shares on the Main Board of the Stock Exchange, details of which are set out in the Prospectus
“Group”, “Hongjiu Fruit”, “Hongjiu”, “we”, “us” or “our”	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)”	overseas listed foreign Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are to be subscribed and traded in Hong Kong dollars and are to be listed on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“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
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	International Financial Reporting Standards the International Accounting Standards Board, which include standards and interpretations
“Independent Third Party(ies)”	persons who, to the best knowledge of the Directors after making all reasonable enquiries, are not connected with the Company within the meaning of the Listing Rules
“Initial Public Offering” or “IPO”	the initial public offering of the Company, details of which are set out in the Prospectus
“Latest Practicable Date”	September 19, 2023, being the latest practicable date for the purpose of ascertaining certain information in this report

DEFINITIONS

“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	September 5, 2022, being the date on which the overseas listed foreign shares of the Company (H Shares) were listed on the Main Board of the Stock Exchange
“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Mr. Deng”	Mr. Deng Hongjiu (鄧洪九), the chairman of the Board, an executive Director, the spouse of Ms. Jiang and one of the Controlling Shareholders of the Company
“Ms. Jiang”	Ms. Jiang Zongying (江宗英), an executive Director, the general manager, the spouse of Mr. Deng and one of the Controlling Shareholders of the Company
“Nomination Committee”	the nomination committee of the Board
“Prospectus”	the prospectus issued by the Company in connection with the Hong Kong Public Offering on August 24, 2022
“Province” or “province”	each being a province of the PRC or, where the context requires, a provincial level autonomous region or municipality directly under the central government of the PRC
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Board
“Reporting Period”	the period from January 1, 2023 to June 30, 2023
“RMB”	the lawful currency of China
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s) of the Company

DEFINITIONS

“Strategy and Investment Decision Committee”	the strategy and investment decision committee of the Board
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of our Company
“Supervisory Committee”	the supervisory committee of the Company
“%”	per cent