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Chongqing Hongjiu Fruit Co., Limited

重慶洪九果品股份有限公司

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

(Stock Code: 6689)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The Board is pleased to announce the audited consolidated financial statements of the Group for the year ended December 31, 2022. These results have been prepared in accordance with the applicable disclosure requirements of the Listing Rules and IFRSs, and have been reviewed by the Audit Committee. This announcement complies with the requirements of the Listing Rules in relation to information to accompany preliminary announcements of annual results.

FINANCIAL HIGHLIGHTS

The Group's revenue increased by 46.7% from RMB10,280.1 million for the year ended December 31, 2021 to RMB15,080.5 million for the year ended December 31, 2022.

The Group's gross profit increased by 59.7% from RMB1,613.1 million for the year ended December 31, 2021 to RMB2,575.9 million for the year ended December 31, 2022.

The Group's adjusted profit increased by 33.5% from RMB1,089.6 million for the year ended December 31, 2021 to RMB1,454.5 million for the year ended December 31, 2022.

The Board resolved not to recommend the payment of a final dividend for the year ended December 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, the Group focused on managing the entire supply chain for quality fruits primarily grown in the places of origin of the world, especially deepening its layout on fruit products in categories that enjoy fast-growing market share and high consumption values in China. The Group had rich product portfolio covering 49 fruit categories, selecting and sourcing quality fruits from over 100 places of origin of the world for consumers. Benefiting from the continuous implementation of the Group's development strategies, its business operations continued to be stable and grow rapidly. The Group's revenue increased by 46.7% from RMB10,280.1 million for the year ended December 31, 2021 to RMB15,080.5 million for the year ended December 31, 2022. As a result, the Group continued to maintain the leading position in the industry. According to the CIC report, the Group became China's largest fruit distributor by sales revenue in 2022; meanwhile, the Group remained the China's largest distributor of Southeast-Asian fruits, durian and imported dragon fruit by sales revenue of respective categories and the second largest distributor of imported longan and the leading distributor of mangosteen, imported cherries and imported grapes by sales revenue of respective categories in 2022. At the same time, the Group's profitability also continued to improve, with its adjusted profit increasing by 33.5% from RMB1,089.6 million for the year ended December 31, 2021 to RMB1,454.5 million for the year ended December 31, 2022. The Group's gross profit and gross profit margin also increased during the Reporting Period, compared to 2021.

In 2022, the Group continued to enhance the end-to-end fruit supply chain propelled by advanced digital capabilities, further strengthened its procurement and sales presence, and continued to consolidate its competitive advantages.

- On the sales side, the Group continued to expand its nationwide sales and distribution network to reach customers of different demographics. As of December 31, 2022, the Group had 23 sales branches across China, representing an increase of 4 branches (in Harbin, Nanjing, Zhengzhou and Baoding, respectively) compared to the end of 2021, strengthening the Group's sales network in and around these regions. Such sales branches function as frontline sales grids, helping the Group cover over 300 cities. As of December 31, 2022, the Group had 60 sorting centers across China, providing strong support for the Group to better serve its customers. In terms of sales channels, the Group 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.
- On the procurement side, the Group continued to deepen its layout on quality sources of fruits around the global. As of December 31, 2022, the Group had nearly 400 employees and operated 16 fruit processing plants in Thailand and Vietnam. In 2022, the Group expanded the procurement regions for its core product durian to Vietnam. The ripening time of durian in Vietnam is generally from October to March next year and it is complementary with the ripening time of durian in Thailand, allowing the Group to sell the core product durian for a longer period and meeting the strong demand of Chinese consumers for durian. Thanks to its layout on places of origin, the Group's market position was further consolidated. Calculated based on the data of CIC and the Chinese customs, in terms of weight, the Group's durian importation accounted for 12.7% of the durian importation from Thailand by the Chinese customs, representing an increase of 2.6 percentage points as compared with 2021 and maintaining the first place in the industry; and the Group's dragon fruit and longan importation accounted for 17.1% and 13.4% of the dragon fruit importation from Vietnam and longan importation from Thailand by the Chinese customs, respectively. In addition to fruit import, the Group also actively responded to the strategy of "Rural Revitalization" in China, carried out joint development in Fengjie in Chongqing, Xifeng in Guizhou, Huili in Sichuan, Pujiang in Chengdu, and sold high-quality domestic fruit.

In 2022, the amount and the turnover days of the Group's trade and other receivables increased compared to 2021 due to the impact of the COVID-19 on the operations of its certain downstream customers or the reconciliation with the Group and payment progress of the Group's certain customers. Benefiting from customers' favor to the Group's products and the Group's strong end-to-end supply chain, its inventory turnover days remained relatively low during the Reporting Period.

OUTLOOK, FUTURE PROSPECTS AND STRATEGIES

The Group's fruit supply chain is a core factor to its success and competitive advantage. The Group plans to further improve its fruit supply chain. Specifically,

- the Group will further expand its upstream procurement network and increase penetration. In terms of the overseas end, the Group will actively expand its localized layout in overseas places of origin for quality fruit, appropriately expand its proven localized layout in Thailand and Vietnam to more countries and regions such as Philippines and Chile, and boost recruitment for overseas teams at the same time. For the domestic end, the Group 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 Group will expand its sales and distribution network and establish new sales branches across China to enhance its service capability. Meanwhile, the Group will further display its advantages in the supply chain and closely follow new changes in the fruit retail market. For instance, the Group actively deployed on-demand retail, community-based fresh-food chain stores and community group buying, and plans to provide one-stop solutions on fruit supply chains for the livestreaming e-commerce with rapid growth to seize new growth opportunities;
- the Group will 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
- the Group will strengthen its management capacity on logistics and warehousing. For instance, by signing new land-sea channel cooperation agreement, the Group will further consolidate the logistics layout to assist in building the fruit distribution hub.

Furthermore, digital system upgrade and global fruit industry internet platform development is also one of the focuses of the Group's future development. In particular,

- the Group 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 Group 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
- the Group will create an internet platform for the fruit industry. The Group will track and trace orchards before, during and after cultivation, interconnect digital interfaces of companies in the distribution link, improve the efficiency of information transfer among enterprises and generate more diversified data analysis solutions based on the big data on the industry accumulated by the platform.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 46.7% from RMB10,280.1 million for the year ended December 31, 2021 to RMB15,080.5 million for the year ended December 31, 2022. The increase in revenue was primarily because (1) the Group further expanded its sales network into Harbin, Nanjing, Zhengzhou and Baoding; (2) the Group's end-to-end supply chain ensured continuous and stable supply of fruits during the COVID-19 pandemic, which was recognized by more customers; (3) the Group strategically selected fruit categories, especially core fruit products which still have strong demand from consumers; and (4) the Group's other fruit categories also experienced rapid growth, benefited from its brand reputation and supply chain capabilities.

Revenue from sales of fruits by categories

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

	Year ended December 31,			
	2021		2022	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Core fruit products	5,910,490	57.5	6,761,648	44.8
Other fruit products	4,369,584	42.5	8,318,898	55.2
Total	<u>10,280,074</u>	<u>100.0</u>	<u>15,080,546</u>	<u>100.0</u>

The Group considers durian, dragon fruit, longan, grapes, cherry and mangosteen as its six core fruit products. According to CIC report, all these fruit products have a high growth rate in China, and the CAGR is expected to be over 10% in the next 5 years. In 2022, sales of the Group's core fruit products amounted to RMB6,761.6 million, representing an increase of 14.4% compared with that of 2021. In 2022, the proportion of the Group's core products in the Company's total revenue declined mainly due to the fact that international logistics and customs clearance processes were drawn out under the impact of the COVID-19 pandemic, resulting in decreases in the import of six core fruit categories in overall imports into China. However, actively leveraging the Group's autonomous cargo booking, autonomous export declaration and other models, it guaranteed the clearance efficiency for its imported fruit to certain extent. Under the background of the general declining of the industry, the Group still guaranteed growth in sales revenue from its core fruit products and further expanded its market share in the procurement end. In the long term, the Group believes that the above six core fruit products will continue to gain popularity among consumers. With the optimization of policies on the prevention and control of the pandemic in China, the total imports of the six core fruit products will gradually recover and continue to increase. Therefore, the Group will still consider core fruit products as its strategic focuses and continue to invest resources into the layout. It is expected that core fruit products will remain a key contributor to the Company's revenue. The analysis on changes in the Group's top three core categories is as follows:

- **Durian:** In 2022, the sales amount of durian was RMB3,965.3 million, representing an increase of 13.9% as compared with that of 2021. According to the data of the Chinese customs, the mass of durian imported from Thailand to China in 2022 decreased by 4.6% as compared with that of 2021 due to the impacts of the pandemic. However, thanks to the Group's layout on the entire supply chain, it maintained an increase in the sales amount of durian. Calculated based on the data of CIC and the Chinese customs, the mass of durian imported from Thailand by the Group accounted for 12.7% of the durian imported from Thailand by the Chinese customs, representing an increase of 2.6 percentage points as compared with that of 2021.
- **Dragon fruit:** In 2022, the sales amount of dragon fruit was RMB825.3 million, representing a decrease of 2.4% as compared with that of 2021, mainly due to the fact that logistics and customs clearance processes for fruit products imported from Vietnam were drawn out under the impact of the COVID-19 pandemic. To ensure the fruit quality, the Group reduced the procurement of dragon fruit, thereby resulting in the decrease in its sales amount.
- **Grapes:** In 2022, the sales amount of grapes was RMB711.6 million, representing an increase of 42.2% as compared with that of 2021, mainly because the Group took advantage of its end-to-end supply chain to ensure the stable supply during the COVID-19 pandemic to obtain customers' recognition, thereby increasing its sales amount.

The Group's other fruit products include tangerine, apple, kiwi, mango and others. In 2022, sales of the Group's other fruit products amounted to RMB8,318.9 million, representing an increase of 90.4% compared with that of 2021. Other fruit products showed strong growth, primarily because (1) the Group expanded its sales network; (2) the Group's customers recognized its brand as a result of the Group's industry position, long-term quality services and excellent fruit quality, allowing the Group to continue to cross-sell more fruit categories to the same customer; and (3) the Group continued to replicate its end-to-end model to domestic fruits.

Revenue from sales of fruits by brands

	Year ended December 31,			
	2021		2022	
	RMB'000	%	RMB'000	%
Branded fruit products	7,532,499	73.3	10,754,102	71.3
Unbranded fruit products	2,747,575	26.7	4,326,444	28.7
Total	<u>10,280,074</u>	<u>100.0</u>	<u>15,080,546</u>	<u>100.0</u>

In 2022, the Group continued to adhere to its branding strategy, and the branding rate of core categories reached 100%. Sales of the Group's branded fruit products increased by 42.8% from RMB7,532.5 million for the year ended December 31, 2021 to RMB10,754.1 million for the year ended December 31, 2022. In 2022, the Group's branded fruit contributed to 71.3% of its total revenue for the relevant period. In 2022, the Group continued to follow the policy of "superior regions of production, superior products, superior taste and superior quality" in deepening and developing its branded fruit products. For instance, based on the Group's popular "Fengshanghao Peach" (奉上好桃), it promoted the "Fengshanghao" brand to other categories such as Sichuan aiwan orange (四川愛晚橙), Guangdong volcanic pineapple (廣東火山鳳梨), Sichuan papagan

orange (四川耙耙柑), Guangxi orah orange (廣西沃柑) and Xinjiang melon (新疆蜜瓜) in 2022. As a result, the sales amount under the “Fengshanghao” (奉上好) brand exceeded RMB1.5 billion in 2022, representing an increase of 7 folds as compared with that of 2021 and making it the brand with the largest sales amount among the Group’s domestic product categories. In addition, the sales revenue of kiwi represented by the “Mi Tian Da Sheng” (彌天大聖) brand increased by 70% in 2022 as compared with that in 2021, demonstrating the recognition of customers over the Group’s brands.

Cost of Sales

The Group’s cost of sales increased by 44.3% from RMB8,667.0 million for the year ended December 31, 2021 to RMB12,504.7 million for the year ended December 31, 2022. The increase both in absolute amount and percentage was lower than the increase in the Group’s revenue, primarily because the Group’s gross profit margin increased.

Gross Profit and Gross Profit Margin

The Group’s gross profit increased by 59.7% from RMB1,613.1 million for the year ended December 31, 2021 to RMB2,575.9 million for the year ended December 31, 2022. The Group’s gross profit margin increased from 15.7% for the year ended December 31, 2021 to 17.1% for the year ended December 31, 2022, primarily because (1) the Group gradually phased out marketing events launched from September 2020 to September 2021, in which events the Group adopted promotional pricing policy for certain customers and such marketing strategy enabled it to win extensive market recognition; (2) the Group took advantage of its end-to-end supply chain to ensure the stable supply of fruit products during the COVID-19 pandemic to obtain customers’ recognition and higher premium; and (3) in 2022, the gross profit margin of certain core categories such as durian, increased at a relatively fast pace due to the changes in supply and demand.

Gross profit margin for fruits by categories

	Year ended December 31,			
	2021		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Core fruit products	1,037,152	17.5	1,417,633	21.0
Other fruit products	575,949	13.2	1,158,249	13.9
Total	<u>1,613,101</u>	<u>15.7</u>	<u>2,575,882</u>	<u>17.1</u>

The gross profit margin for the Group’s core products increased from 17.5% for the year ended December 31, 2021 to 21.0% for the year ended December 31, 2022. In addition to the improved gross profit margin as a result of the cancellation of the abovementioned marketing activities and the stable supply during the pandemic, the changes in the gross profit margin for the Group’s certain core products are also related to:

- Durian: The gross profit margin for durian increased from 20.7% for the year ended December 31, 2021 to 24.5% for the year ended December 31, 2022. In addition to the cancellation of the abovementioned marketing activities and under the impact of the COVID-19 pandemic, logistics and customs clearance processes for fruit products imported

from Thailand were drawn out and the inventory turnover of other durian distributors' products was slowed, thereby decreasing the overall procurement amount of durian and lowering the procurement price of other durian distributors on the whole in Thailand. Since the consumers' demand for durian remained robust, the selling price of durian continued to hike on the whole. Under such a general background of the industry, the Group's digitalized end-to-end supply chain enabled it to procure a larger amount of durian than other fruit distributors and effectively manage the import logistics by booking exclusive freighters or containers from the third-party logistics service provider, allowing it to closely monitor the measures the Group had taken to fulfill epidemic prevention requirements of the Chinese customs. Such advantage distinguished the Group from most other fruit distributors. The Group was able to procure durian in places of origin at relatively lower prices and sell durian in places of sale at relatively higher prices, thereby resulting in the increase in the gross profit margin for its durian.

- **Dragon fruit:** The gross profit margin for dragon fruit increased from 11.5% for the year ended December 31, 2021 to 14.1% for the year ended December 31, 2022. In addition to the cancellation of the abovementioned marketing activities, the selling price of dragon fruit decreased due to the impact of the pandemic in 2021, resulting in a relatively low gross profit margin. The overall selling price of dragon fruit picked up in 2022.
- **Cherry:** The gross profit margin for cherry increased from 6.4% for the year ended December 31, 2021 to 19.4% for the year ended December 31, 2022, primarily due to the decrease in the selling price as a result of the fact that certain batches of cherry imported into China were tested positive for COVID-19 in 2021, thereby resulting in the decreased gross profit margin. With the effective prevention and control of the pandemic in China in 2022, fewer cherry was tested positive for COVID-19 and the selling price gradually recovered to the normal level, contributing to the improved gross profit margin in 2022.

The overall gross profit margin for categories other than core categories remained stable in 2022 compared with that of 2021.

Gross profit margin for fruits by brands

	Year ended December 31,			
	2021		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Branded fruit products	1,255,758	16.7	1,969,560	18.3
Unbranded fruit products	357,343	13.0	606,322	14.0
Total	<u>1,613,101</u>	<u>15.7</u>	<u>2,575,882</u>	<u>17.1</u>

The Group's gross profit margin for branded fruit products remained higher than that for non-branded fruit products in 2022. The Group's gross profit margin for branded fruit products increased from 16.7% for the year ended December 31, 2021 to 18.3% for the year ended December 31, 2022, primarily due to (1) the cancellation of the aforementioned marketing activities launched from September 2020 to September 2021; and (2) the increased gross profit margin for core categories of the Group's brand fruit products, such as durian, dragon fruit and cherry.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 8.4% from RMB183.8 million for the year ended December 31, 2021 to RMB199.3 million for the year ended December 31, 2022. The percentage of selling and distribution expenses decreased from 1.8% in 2021 to 1.3% in 2022. The decrease in percentage of selling and distribution expenses was primarily due to the economies of scale associated with the Group's increased sales scale. In addition, the Group spent a relatively large amount of cold storage renovation fee in 2021 as a result of establishing a relatively large amount of new sorting centers to meet the growing demand of customers, while the cold storage renovation fee decreased correspondingly in 2022.

Administrative Expenses

The Group's administrative expenses increased by 24.1% from RMB162.4 million for the year ended December 31, 2021 to RMB201.6 million for the year ended December 31, 2022. The percentage of administrative expenses decreased from 1.6% in 2021 to 1.3% in 2022. The decrease in percentage of administrative expenses was mainly due to the effect brought by the expansion of the Group's sales scale.

Impairment Loss on Trade Receivables

Impairment loss on trade receivables increased from RMB25.5 million for the year ended December 31, 2021 to RMB476.8 million for the year ended December 31, 2022, mainly due to (1) an increase in the Group's trade receivables; and (2) an increase in the Group's trade receivables turnover days due to the impact of the COVID-19 pandemic on the reconciliation with the Group and payment progress of the Group's certain customers.

Other Net Income

Other net income increased by 4.1% from RMB88.0 million for the year ended December 31, 2021 to RMB91.6 million for the year ended December 31, 2022. The increase in other net income was primarily attributed to the increase of government grants.

Other Expenses

Other expenses decreased by 37.1% from RMB3.5 million for the year ended December 31, 2021 to RMB2.2 million for the year ended December 31, 2022.

Changes in the Carrying Amount of Liabilities Recognized for Preferential Rights Issued to Investors

Changes in the carrying amount of liabilities recognized for preferential rights issued to investors amounted to RMB797.2 million for the year ended December 31, 2021 and nil for the year ended December 31, 2022. On September 6, 2021, the preferential rights were waived by the investors so the Group reclassified the financial liabilities recognized for the preferential rights into equity and no further changes in the carrying amount of liabilities recognized for preferential rights issued to investors would be recognized in profit or loss from that date.

Income Tax

The Group's income tax increased by 23.5% from RMB207.1 million for the year ended December 31, 2021 to RMB255.8 million for the year ended December 31, 2022. The increase in income tax was primarily due to the Group's business growth.

Profit for the Year

As a result of foregoing, the Group's profit for the year was RMB292.4 million for the year ended December 31, 2021 and RMB1,454.5 million for the year ended December 31, 2022.

Adjusted Profit (Non-IFRSs Measure)

The adjustments to the Group's adjusted profit (non-IFRSs measure) are changes in the carrying amount of liabilities recognized for preferential rights issued to pre-IPO investors, and as preferential rights have been terminated on September 6, 2021, its profit for 2022 has been unaffected by the above adjustments.

The Group's adjusted profit increased by 33.5% from RMB1,089.6 million for the year ended December 31, 2021 to RMB1,454.5 million for the year ended December 31, 2022, and the adjusted profit margin decreased from 10.6% in 2021 to 9.6% in 2022. The decrease in adjusted profit margin was mainly due to the increase in the impairment loss on trade receivables, but the increase in the Group's gross profit margin and the decrease in the percentage of selling and distribution expenses and the percentage of administrative expense partially offset the impact of the increase in the impairment loss on trade receivables on its adjusted profit margin.

Basic Earnings Per Share

Basic earnings per share was approximately RMB3.17 as of December 31, 2022 (2021: RMB1.50).

Inventories

The Group's inventories increased from RMB224.6 million as at December 31, 2021 to RMB334.3 million as at December 31, 2022, primarily due to its business expansion. The turnover days of inventories increased from 6.8 days in 2021 to 8.2 days in 2022, which remained at a relatively low level.

Trade and Other Receivables

Trade and other receivables increased from RMB5,133.7 million as at December 31, 2021 to RMB8,996.0 million as at December 31, 2022. Trade and other receivables comprise trade receivables, prepayments and other receivables.

Trade receivables increased from RMB3,707.3 million as at December 31, 2021 to RMB7,667.3 million as at December 31, 2022. The increase in absolute amount was mainly due to the rapid increase in revenue as a result of the Group's business expansion and the increase in trade receivables turnover days. The trade receivables turnover days increased from 103.0 days in 2021 to 144.8 days in 2022, which was mainly due to the impact of COVID-19 pandemic on the reconciliation with the Group and payment progress of the Group's certain customers.

Prepayments decreased from RMB1,360.2 million as at December 31, 2021 to RMB1,264.1 million as at December 31, 2022, and prepayments turnover days decreased from 47.2 days in 2021 to 38.3 days in 2022. The decrease in absolute amount and turnover days of prepayments was mainly due to the continued growth of the Group's substantial influence in the industry, which allows the Group to maintain supplier relationships and ensure a steady supply of fruit products while reducing prepayment ratio. The Group pays prepayments primarily to fruit suppliers with unique and quality fruit production, not all of whom require prepayments.

Liquidity and Financial Resources

The Group's cash and cash equivalents decreased from RMB239.5 million as at December 31, 2021 to RMB149.2 million as at December 31, 2022.

The Group's net current assets increased from RMB4,296.4 million as at December 31, 2021 to RMB6,156.6 million as at December 31, 2022. The Group's current ratio (current assets/current liabilities) as at December 31, 2022 was approximately 2.9 times, compared to approximately 4.3 times as at December 31, 2021.

The Group's bank loans increased from RMB874.7 million as of December 31, 2021 to RMB2,282.8 million as at December 31, 2022, primarily because it increased bank loans to fund fruit products procurement and expansion of logistics and supply chain facilities in line with its business expansion. Interest is received at fixed interest rate. The Group did not have any financial instrument for hedging purposes. The Group 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 14.4% and 33.5% as of December 31, 2021 and December 31, 2022, respectively.

Foreign Exchange Risk Management

The majority of the Group's revenue was received in RMB. The Group 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 the Group's ability to remit sufficient foreign currency funds or otherwise limit the Group's ability to repay debts denominated in foreign currencies. As of December 31, 2022, the Group did not use any long-term contract, monetary borrowing or otherwise to hedge against foreign exchange risks.

Contingent Liabilities

As of December 31, 2022, the Group had no material contingent liabilities.

Pledge of Assets

As of December 31, 2022, the Group's trade receivables of RMB11,658 thousand were pledged for bank loans. Other than that, the Group did not pledge any company assets.

Significant Investments Held

As of December 31, 2022, the Group did not hold any material investments in the equity interest of other companies.

Future Plans of Material Investment and Capital Assets

As of December 31, 2022, the Group did not carry out any other plans of material investment and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associates

As of December 31, 2022, the Group did not carry out any material acquisitions and disposals of subsidiaries and associates.

Human Resources and Emolument Policy

As of December 31, 2022, the Group had 2,607 full-time employees, with 396 based in Thailand and Vietnam and the rest based in China. The Group always believes that its long-term growth depends on the expertise, experience and development of its employees. Considering employees as important strategic resources for corporate development, the Group proactively optimizes the talent selection and cultivation system in order to improve the general competitiveness of its employees and their sense of belongings to the Group. The Group has also improved career development pathways and talent training systems for employees to facilities 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. The Group's overall remuneration policy is competitive.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

For the year ended December 31, 2022

	Note	Year ended December 31,	
		2022 RMB'000	2021 RMB'000
Revenue	2	15,080,546	10,280,074
Cost of sales		<u>(12,504,664)</u>	<u>(8,666,973)</u>
Gross profit		2,575,882	1,613,101
Selling and distribution expenses		(199,327)	(183,834)
Administrative expenses		(201,566)	(162,353)
Impairment loss on trade receivables		(476,801)	(25,542)
Other net income	3	91,600	87,994
Other expenses		<u>(2,182)</u>	<u>(3,547)</u>
Profit from operations		1,787,606	1,325,819
Finance costs	4(a)	(77,247)	(29,134)
Changes in the carrying amount of liabilities recognized for preferential rights issued to investors		<u>–</u>	<u>(797,150)</u>
Profit before taxation	4	1,710,359	499,535
Income tax	5(a)	<u>(255,813)</u>	<u>(207,093)</u>
Profit for the year		<u>1,454,546</u>	<u>292,442</u>
Attributable to:			
Equity shareholders of the Company		1,452,214	291,636
Non-controlling interests		<u>2,332</u>	<u>806</u>
Profit for the year		<u>1,454,546</u>	<u>292,442</u>
Earnings per share (RMB)			
Basic (RMB)	6(a)	<u>3.17</u>	<u>1.50</u>
Diluted (RMB)	6(b)	<u>3.17</u>	<u>1.50</u>

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

For the year ended December 31, 2022

	<u>Year ended December 31,</u>	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	1,454,546	292,442
Other comprehensive income for the year (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	<u>21,915</u>	<u>(10,169)</u>
Total comprehensive income for the year	<u>1,476,461</u>	<u>282,273</u>
Attributable to:		
Equity shareholders of the Company	1,474,015	281,495
Non-controlling interests	<u>2,446</u>	<u>778</u>
Total comprehensive income for the year	<u>1,476,461</u>	<u>282,273</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022

	Note	As at December 31,	
		2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		83,169	81,275
Right-of-use assets		91,247	58,698
Intangible assets		15	33
Other non-current assets		903	808
Deferred tax assets		106,997	7,444
		<u>282,331</u>	<u>148,258</u>
Current assets			
Inventories		334,252	224,602
Trade and other receivables	7	8,996,036	5,133,722
Financial assets measured at fair value through profit or loss		1,001	10,000
Cash and cash equivalents		149,177	239,534
		<u>9,480,466</u>	<u>5,607,858</u>
Current liabilities			
Trade and other payables	8	767,831	325,411
Bank loans		2,282,794	874,650
Lease liabilities		26,803	19,252
Taxation payable		246,402	92,131
		<u>3,323,830</u>	<u>1,311,444</u>
Net current assets		<u>6,156,636</u>	<u>4,296,414</u>
Total assets less current liabilities		<u>6,438,967</u>	<u>4,444,672</u>
Non-current liabilities			
Lease liabilities		60,344	34,634
Other non-current liabilities		485	375
		<u>60,829</u>	<u>35,009</u>
NET ASSETS		<u>6,378,138</u>	<u>4,409,663</u>

		As at December 31,	
	<i>Note</i>	2022	2021
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	9(b)	467,369	453,074
Reserves	9(c)	5,905,213	3,953,479
Total equity attributable to equity shareholders of the Company		6,372,582	4,406,553
Non-controlling interests		5,556	3,110
TOTAL EQUITY		6,378,138	4,409,663

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	PRC statutory reserves RMB'000	Exchange reserves RMB'000	Retained earnings RMB'000	Total RMB'000		
Balance at January 1, 2021	453,074	1,727,308	(2,588,086)	90,183	(695)	318,216	–	2,358	2,358
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	291,636	291,636	806	292,442
Other comprehensive income	–	–	–	–	(10,141)	–	(10,141)	(28)	(10,169)
Total comprehensive income	–	–	–	–	(10,141)	291,636	281,495	778	282,273
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	–	–	2,588,086	–	–	1,536,972	4,125,058	–	4,125,058
Appropriation to statutory reserves	–	–	–	21,706	–	(21,706)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(26)	(26)
Balance at December 31, 2021 and January 1, 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 2022:									
Profit for the year	–	–	–	–	–	1,452,214	1,452,214	2,332	1,454,546
Other comprehensive income	–	–	–	–	21,801	–	21,801	114	21,915
Total comprehensive income	–	–	–	–	21,801	1,452,214	1,474,015	2,446	1,476,461
Issuance of ordinary shares upon global offering, net of issuance 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 December 31, 2022	467,369	2,205,027	–	237,443	10,965	3,451,778	6,372,582	5,556	6,378,138

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2022

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Operating activities		
Cash used in operations	(1,622,350)	(796,070)
Corporate Income Tax paid		
– The PRC	(185,351)	(175,139)
– Overseas	(15,744)	(10,412)
Net cash used in operating activities	(1,823,445)	(981,621)
Investing activities		
Payment for the purchase of property, plant and equipment	(15,326)	(25,225)
Payment for the purchase of intangible assets	–	(41)
Cash receipts from disposal of property and equipment	1,130	5
Cash receipts from redemption of financial assets measured at fair value through profit or loss	100,063	1,507,193
Payment for investment in financial assets measured at fair value through profit or loss	(91,000)	(1,353,000)
Net cash (used in)/generated from investing activities	(5,133)	128,932
Financing activities		
Issuance of shares upon initial public offering, net of issuing costs paid	491,761	–
Proceeds from bank loans and other borrowings	4,923,388	1,500,857
Repayments of bank loans and other borrowings	(3,592,726)	(726,778)
Dividends paid to non-controlling shareholders	–	(26)
Interest paid	(70,167)	(25,924)
Capital element of lease rentals paid	(30,671)	(19,423)
Interest element of lease rentals paid	(3,838)	(2,130)
Payment for listing expenses	–	(5,691)
Net cash generated from financing activities	1,717,747	720,885
Net decrease in cash and cash equivalent	(110,831)	(131,804)
Cash and cash equivalent at January 1	239,534	376,153
Impact of exchange rate changes on cash and cash equivalents	20,474	(4,815)
Cash and cash equivalent at December 31	149,177	239,534

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB, unless otherwise stated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2022 comprise the Company and its subsidiaries (together, the “Group”).

Items included in these consolidated financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (“functional currency”).

RMB, Thailand Baht and Vietnamese Dong are the functional currencies for the Company and Company’s subsidiaries established in Mainland China, Thailand and Vietnam respectively.

The consolidated financial statements are presented in RMB, rounded to nearest thousands, which is the presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through profit or loss are stated at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract*

None of these amendments had a material effect on how the Group's results and financial position for the current or prior year have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the year. Deferred tax assets and liabilities are not discounted.

The carrying amounts of a deferred tax asset is reviewed at the end of each year and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(e) Provisions

Provisions are recognized when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

(f) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of fruits or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognized when control over a product or service is transferred to the customer or the lessee has the right to use the assets, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognized under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of fruits

The Group is engaged in the purchasing, importing, sorting, packaging, wholesale and retail of fruits. Revenue from sales of fruits is recorded net of discounts and recognized when the fruits are delivered and accepted.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognized as it accrues under the effective interest method using the rate that exactly discount estimated future cash receipts through expected life of the financial assets to the gross carrying amount of the financial asset. For financial assets measured at amortized cost are not credit-impaired, the effective interest rate is applied to the gross carrying amounts of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortized cost (i.e. gross carrying amounts net of loss allowance) of the asset (see note 1(k)(i)).

(iv) Government grants

Government grants are recognized in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognized as deferred income and subsequently recognized in profit or loss over the useful life of the assets.

(v) Dividend

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(g) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statement, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 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:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Sales of fruits	15,080,546	10,280,074

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

The Group's customer base is diversified. During the year ended December 31, 2022, the Group did not have any customer with which transaction has exceeded 10% of the Group's total revenue (2021: nil).

The Group applies the practical expedient in paragraph 121(a) of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts of the Group are within one year or less.

(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.

(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 during the year.

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

	As at December 31,	
	2022 RMB'000	2021 RMB'000
The PRC (place of domicile)	109,220	76,066
Thailand	42,433	39,894
Vietnam	23,681	24,854
	<u>175,334</u>	<u>140,814</u>

3 OTHER NET INCOME

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Interest income from bank deposits	1,804	1,876
Government grants ⁽ⁱ⁾	122,450	83,179
Exchange losses	(47,780)	(2,561)
Changes in fair value of financial assets measured at FVPL	64	1,464
Others	15,062	4,036
	<u>91,600</u>	<u>87,994</u>

- (i) During the year ended December 31, 2022, the Group recorded unconditional government grants of RMB122,450 thousand (2021: RMB83,179 thousand), as rewards of the Group's contribution to regional economic development.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Interest expenses on bank loans	73,409	27,004
Interest expenses on lease liabilities	3,838	2,130
	<u>77,247</u>	<u>29,134</u>

(b) Staff costs

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Salaries, wages, bonuses and other benefits	209,278	182,583
Contributions to defined contribution retirement plans	17,089	12,674
Equity-settled share-based payment	2,611	—
	<u>228,978</u>	<u>195,257</u>

Staff costs includes remuneration of directors, supervisors and senior management.

Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Amortization		
– intangible assets	3	112
Depreciation		
– property, plant and equipment	14,276	13,049
– right-of-use assets	35,413	22,399
	49,689	35,448
Impairment loss on trade receivables	476,801	25,542
Provision for/(reversal of) impairment losses on other receivables	1,215	(761)
	478,016	24,781
Auditors' remuneration		
– audit services	3,656	283
– non-audit services	943	–
Listing expenses	29,625	17,067
Cost of inventories (<i>note (i)</i>)	12,504,664	8,666,973

(i) Cost of inventories recognized as expenses includes provision for write-down of inventories.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Current tax		
Provision for the year		
– The PRC Corporate Income Tax	293,890	191,720
– Overseas Income Tax	61,476	16,936
	355,366	208,656
Deferred tax		
Origination and reversal of temporary differences	(99,553)	(1,563)
Total	255,813	207,093

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	Year ended December 31,	
		2022	2021
		RMB'000	RMB'000
Profit before taxation		<u>1,710,359</u>	<u>499,535</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	(i)	422,256	120,897
Effect of preferential income tax rates		(183,357)	(46,151)
Tax effect of non-deductible expenses		4,895	123,173
Tax effect of utilization of tax losses not recognized in prior years		(5,183)	(2,968)
Tax effect of unused tax losses not recognized		829	6,904
Tax effect of other deductible temporary differences not recognized		<u>16,373</u>	<u>5,238</u>
Actual tax expense		<u>255,813</u>	<u>207,093</u>

- (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 year 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% from January 1, 2011 to December 31, 2030.

- (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.

	As at December 31,	
	2022	2021
Thailand	20%	20%
Vietnam	20%	20%

6 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 year, calculated as follows.

- (i) Profit attributable to ordinary equity shareholder of the Company used in basic earnings per share calculation:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Profit for the year attributable to all equity shareholders of the Company	1,452,214	291,636
Allocation of profit for the year to financial instruments issued to investors with redemption option	–	(4,382)
Profit for the year attributable to equity shareholders of the Company for the purpose of basic earnings per share	<u>1,452,214</u>	<u>287,254</u>

- (ii) Weighted average number of ordinary shares:

	Year ended December 31,	
	2022	2021
Issued ordinary shares at January 1	453,073,902	453,073,902
Effect of shares issued upon global offering	4,764,967	–
Effect of financial instruments issued to investors with redemption option	–	(261,028,815)
Weighted average number of ordinary shares at December 31	<u>457,838,869</u>	<u>192,045,087</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholder of the Company and the weighted average number of ordinary shares. The profit attributable to ordinary equity shareholder of the Company used in diluted earnings per share calculation were determined to be the same as those used in basic earnings per share calculation for the year. Accordingly, diluted earnings per share for the years ended December 31, 2022 and 2021 are the same as basic earnings per share.

7 TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	<i>RMB'000</i>
Trade receivables		
– third parties	8,179,203	3,750,055
– related parties	20,141	12,732
Less: losses allowance	(532,064)	(55,509)
Trade receivables, net	7,667,280	3,707,278
Other receivables		
– third parties	26,004	25,216
– related parties	1,274	1,445
Less: losses allowance	(5,077)	(4,396)
Other receivables, net	22,201	22,265
Value Added Tax recoverable	42,418	43,972
Prepayments	1,264,137	1,360,207
	8,996,036	5,133,722

All of the trade and other receivables are expected to be recovered or recognized as expense within one year.

As at December 31, 2022, prepayments mainly represent amounts prepaid to suppliers to purchase fruits.

Ageing analysis

As at December 31, 2022, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at December 31,	
	2022	2021
	RMB'000	<i>RMB'000</i>
Within 6 months (inclusive)	6,086,119	3,418,078
6 to 12 months (inclusive)	1,581,161	289,200
	7,667,280	3,707,278

Trade receivables are due within 90 to 180 days from the date of invoice.

Trade receivables of RMB11,658 thousand (2021: RMB104,657 thousand) were pledged for bank loans as at December 31, 2022.

8 TRADE AND OTHER PAYABLES

	As at December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade payables	679,647	260,761
Accrued payroll and benefits	52,329	41,523
VAT and other tax payables	8,797	8,959
Other payables	27,148	14,168
	767,831	325,411

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

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

	As at December 31,	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 1 year	667,515	251,899
1 to 2 years	3,687	7,109
Over 2 years	8,445	1,753
	679,647	260,761

9 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the years are set out below.

	Share capital <i>RMB'000</i>	Capital reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	PRC statutory reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021	453,074	1,726,679	(2,586,620)	90,183	316,684	–
Changes in equity for 2021:						
Total comprehensive income for the year	–	–	–	–	217,060	217,060
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity	–	–	2,586,620	–	1,503,040	4,089,660
Appropriation to statutory reserves	–	–	–	21,706	(21,706)	–
At December 31, 2021 and January 1, 2022	453,074	1,726,679	–	111,889	2,015,078	4,306,720
Changes in equity for 2022:						
Total comprehensive income for the year	–	–	–	–	1,255,541	1,255,541
Issuance of ordinary shares upon global offering, net of issuance costs	14,295	475,108	–	–	–	489,403
Equity-settled share-based payment	–	2,611	–	–	–	2,611
Appropriation to statutory reserves	–	–	–	125,554	(125,554)	–
At December 31, 2022	467,369	2,204,398	–	237,443	3,145,065	6,054,275

(b) Share capital

	Number of shares	RMB'000
Issued:		
At January 1, 2021 and December 31, 2021	453,073,902	453,074
Issuance of ordinary shares upon global offering	14,294,900	14,295
At December 31, 2022	467,368,802	467,369

On September 5, 2022, the Company's H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited, where 12,317,128 H shares were issued and subscribed at an offer price of HKD40 per H Share by way of initial public offering to Hong Kong and overseas investors. On October 3, 2022, pursuant to the partial exercise of the over-allotment option by the joint international underwriters of the initial public offering, the Company issued and subscribed an additional 1,977,772 H shares at the offer price of HKD40 per H Share (the "Offering").

The gross proceeds raised from the Offering was HKD571,796 thousand (equivalent to approximately RMB502,902 thousand). Net proceeds from the Offering were RMB489,403 thousand (after offsetting costs directly attributable to the issue of shares of RMB13,499 thousand), of which RMB14,295 thousand was recorded in share capital and the remaining RMB475,108 thousand was recorded in capital reserves.

(c) Nature and purpose of reserves

(i) Capital reserves

The capital reserves comprise the following:

- the amount represents the difference between the consideration received and the par value of the issued shares of the Company;
- the amount related to merger reserves resulted from business combinations in 2017 involving entities under common control;
- the amount arises from share-based payment.

(ii) PRC statutory reserves

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the PRC Accounting Regulations, to the statutory reserves.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB.

(d) Dividends

No dividends have been declared or paid by the Company during the year ended December 31, 2022 (2021: nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

The Group monitors its capital structure on the basis of an adjusted asset-to-liability ratio. For this purpose, adjusted net liabilities is defined as total liabilities (which includes bank loans and lease liabilities).

The Group adjusted asset-to-liability ratio as at December 31, 2022 and 2021 is as follows:

	As at December 31,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities:		
Bank loans	2,282,794	874,650
Lease liabilities	26,803	19,252
Non-current liabilities:		
Lease liabilities	60,344	34,634
Adjusted liabilities	2,369,941	928,536
Total assets	9,762,797	5,756,116
Adjusted asset-to-liability ratio	24.3%	16.1%

10 SUBSEQUENT EVENT

Pursuant to the special resolution at the general meeting passed on December 30, 2022, the Company issued new shares by way of capitalization of capital reserves totally amounted to RMB934,738 thousand to the shareholders whose names appear on the register of members of the Company as of January 13, 2023, on the basis of 20 shares for every 10 shares held by the shareholders. Accordingly, 934,748 thousand of new shares were newly issued.

OTHER INFORMATION

Purchase, Sale or Redemption of the Securities of the Company

From the Listing Date up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Compliance with the CG Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of Shareholders' interests. The Company has adopted the code provisions of the CG Code as the basis for its corporate governance practices since the Listing Date. From the Listing Date up to the date of this announcement, the Company has complied with the code provisions of the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors and Supervisors since the Listing Date. After making the specific enquiries to all Directors and Supervisors, each of them has confirmed that they have complied with the Model Code from the Listing Date to the end of the Reporting Period.

Final Dividends

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

Significant Subsequent Events

On January 10, 2023, Ms. FAN Weihong ("**Ms. FAN**"), the then independent non-executive Director and the chairperson of the Audit Committee, after prudent consideration, resigned from her position as an independent non-executive Director and the chairperson of the Audit Committee, as she wished to devote more attention to her other personal affairs. In order to ensure that the composition of the Board and the relevant special committees under the Board are in compliance with the relevant laws, regulations and regulatory requirements, Ms. FAN's resignation will take effect from the date on which the new independent non-executive Director formally assume his/her duties. On February 4, 2023, Ms. XU Kemei ("**Ms. XU**") was elected as a new independent non-executive Director at the 2023 first extraordinary general meeting of the Company. At the Board meeting held on the same date, Ms. XU was appointed as the chairperson of the Audit Committee.

Save as disclosed in this announcement and the subsequent events set out in Note 10 in the Notes to the Financial Statements, after December 31, 2022 and up to the date of this announcement, there were no significant events affecting the Group occurred.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Ms. XU Kemei (chairperson), Ms. LIU Xiuqin and Mr. AN Rui.

The Audit Committee, together with the management and external auditor, 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 audited consolidated financial statements for the year ended December 31, 2022. 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.

ANNUAL GENERAL MEETING

The Company will inform the Shareholders at a later date about the date of the forthcoming annual general meeting and the corresponding arrangement for the closure of register of members.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hjfruit.com). The annual report of the Company for the year ended December 31, 2022 containing all information required by the Listing Rules will be despatched to the Shareholders in due course and will be published on the above websites.

DEFINITIONS

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

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

“COVID-19”	2019 Coronavirus disease, a disease caused by a novel virus known as severe acute respiratory syndrome coronavirus type 2
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is(are) subscribed for or credited as paid in RMB
“Group”	the Company and its subsidiaries or, where the context so requires, in respect of the period prior to the Company became the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“H Share(s)”	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is(are) listed on the Stock Exchange and traded in Hong Kong dollars (stock code: 6689)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing Date”	September 5, 2022, on which the H Shares were listed and on which dealings in the H Shares were first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Reporting Period”	the year ended December 31, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)

“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“%”	per cent

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

Chongqing, the PRC
March 20, 2023

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