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)

STOCK CODE : 6689

2022

ANNUAL REPORT

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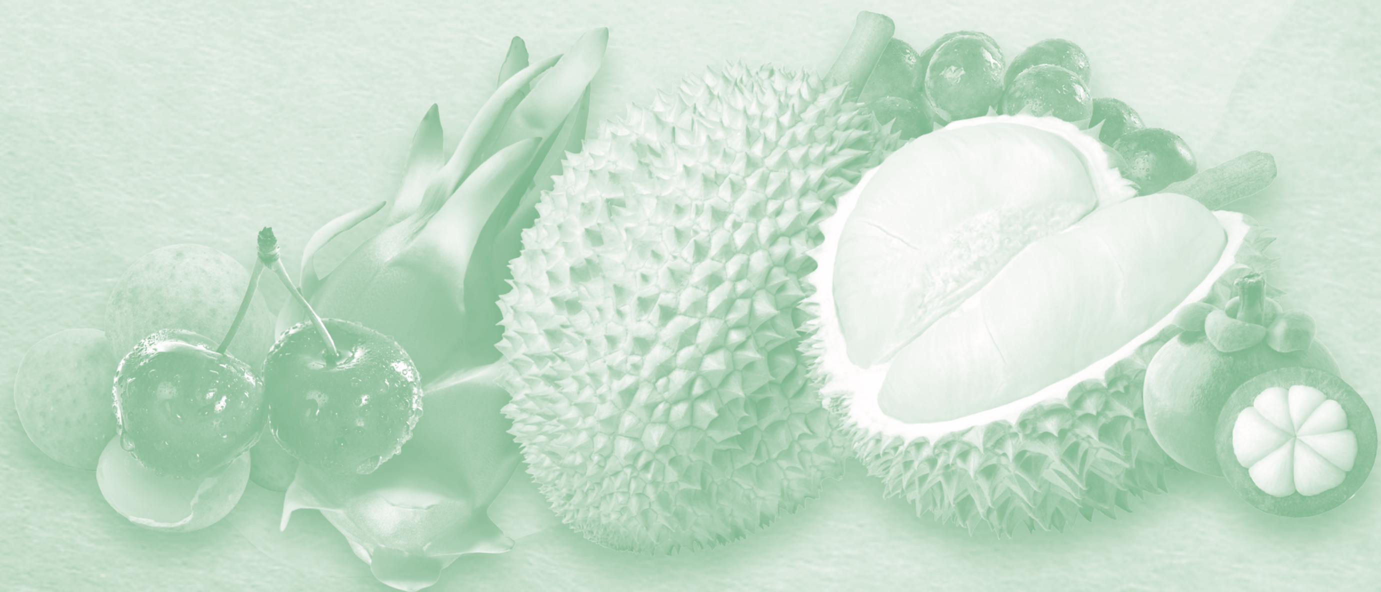

Basic information of the Company is set out as follows:

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 (appointed on February 4, 2023)
Ms. Liu Xiuqin
Mr. An Rui
Mr. Liu Anzhou
Ms. Fan Weihong (resigned on February 4, 2023)

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

06689

H SHARE REGISTRAR IN HONG KONG

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

AUTHORIZED REPRESENTATIVES

Ms. Tan Bo
Ms. Lai Siu Kuen

BOARD COMMITTEES

Audit Committee

Ms. Xu Kemei *(Chairperson)* (appointed on February 4, 2023)
Mr. An Rui
Ms. Liu Xiuqin
Ms. Fan Weihong (resigned on February 4, 2023)

Remuneration and Evaluation Committee

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

Nomination Committee

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

Strategic and Investment Decision Committee

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

COMPANY WEBSITE

http://www.hjfruit.com

LEGAL ADVISOR

As to Hong Kong law

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One Connaught Place
Central, Hong Kong

As to PRC law

Zhong Lun Law Firm
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20 Jin He East Avenue
Chaoyang District
Beijing
PRC

COMPLIANCE ADVISER

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

AUDITOR

KPMG
Certified Public Accountant
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Financial Highlights

The following is a summary of the Group's results and assets and liabilities for the past four financial years:

Condensed consolidated statement of profit or loss

	Year ended December 31,			
	2022	2021	2020	2019
Revenue (RMB'000)	**15,080,546**	10,280,074	5,771,391	2,077,697
Revenue growth rate	**46.7%**	78.1%	177.8%	69.5%
Gross profit (RMB'000)	**2,575,882**	1,613,101	957,172	392,940
Gross profit margin	**17.1%**	15.7%	16.6%	18.9%
Profit for the year (RMB'000)	**1,454,546**	292,442	2,754	163,090
Non-IFRS measure: adjusted profit (RMB'000)	**1,454,546**	1,089,592	662,354	228,262
Adjusted net profit margin[1]	**9.6%**	10.6%	11.5%	11.0%

Condensed consolidated statement of financial position

	As at December 31,			
	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**9,762,797**	5,756,116	3,670,809	1,975,604
Total liabilities	**3,384,659**	1,346,453	3,668,451	1,973,390
Total equity[2]	**6,378,138**	4,409,663	2,358	2,214
Total equity and liabilities	**9,762,797**	5,756,116	3,670,809	1,975,604

Notes:

1. During its development, the Company introduced several external investors and entered into investment agreements with them. As there were preferred rights such as "liquidation rights" and "repurchase rights" under these investment agreements, and all triggering conditions of these preferred rights are not under full control of the Company, the investments of such investors in the Company shall be considered as a financial liability and included in the liability item in the financial statements according to the requirements of the International Financial Reporting Standards, and the estimated amount of which under the worst case that all net assets and net profits of the Company would be distributed to investors, shall be measured. Affected by the above accounting treatment, the Company's net profit from 2019 to 2021 is lower than the Company's net profit from actual operations. On September 6, 2021, the Shareholders agreed to terminate and not restitute such preferred rights. Therefore, the Company's net profit has been no longer affected by the such preferred rights since 2022.

2. Affected by the preferential rights described in Note 1 above, the total equity attributable to equity shareholders of the Company at the end of 2019 and 2020 is 0. From the end of 2021 onwards, the Company's net assets are no longer affected by the above preferential rights.

For the year ended December 31, 2022

Revenue
RMB15.08 billion
YoY+47%

Profit for the year[2]
RMB1.45 billion
YoY+33%

Profit margin

Gross profit margin
17.1%
YoY+1.4PCT

Net profit margin[2]
9.6%
YoY -1.0PCT

Ranking among fruit distributors in China[1]
No.1
Move up 1 position in the ranking

Percentage of sales in branded fruit
71%
Continuously deepen branding strategy

Ranking among China's distributors of Southeast-Asian fruits[1]
No.1
Continuously stay ahead

Number of sales branches
23
Increase by 4 compared to 2021

Ranking among China's distributors of durian and imported dragon fruit[1]
No.1
Continuously stay ahead

Share of imported durian from Thailand in China customs[3]
13%
Boost 2.6 PCT

Notes:

1. Calculated based on sales revenue in 2022 according to CIC.
2. The changes in net profit and net profit margin are relative to the adjusted net profit and net profit margin in 2021; the adjustment to adjusted net profit is the gain or loss from the change in fair value of financial instruments arising from the preferential rights of investors in the successive financings, which is a non-cash item with corresponding accounting treatment in accordance with accounting standards and has no direct impact on the Company's business operations, and the relevant preferential rights have been terminated in September 2021 and have no impact on net profit in 2022.
3. Calculated based on the data of CIC and the Chinese customs.

Dear Shareholders,

The year 2022 was destined to be a memorable year for Hongjiu Fruit. In 2022, the Company successfully completed the listing of its Shares on the Main Board of the Hong Kong Stock Exchange, making great strides in the capital market. In 2022, Despite encountering multiple challenges such as COVID-19 pandemic and complicated international environment, Hongjiu Fruit maintained a strong growth momentum with the sincere solidarity and joint efforts of all Hongjiu people and partners from all sectors. Also in 2022, Hongjiu Fruit has become the largest fruit distributor in China, and its position as the industry leader has been consolidated in all respects.

Our results rely on the further enhancement of our three major business segments. We continued to further foster the end-to-end model, increased the share in the procurement of core products such as durian and longan imported from Thailand, reached in-depth cooperation intentions with many domestic places of origin, and established four branches in Baoding, Harbin, Zhengzhou and Nanjing. We continued to further enforce our brand strategy, and products under multiple brands were supplied seamlessly throughout the year, and the sales of domestic products under the "Fengshanghao" (奉上好) brand series witnessed rapid growth. We have also continuously upgraded the self-developed global supply chain management system "HJ Star Bridge", which has significantly boosted the efficiency in international logistics.

Thanks to our team's efforts, the Group recorded a total revenue of RMB15,080.5 million in 2022, representing an increase of 46.7% as compared with that of 2021. In addition, the Group's profitability continued to improve, with the adjusted net profit of the Group further increasing to RMB1,454.5 million in 2022 from RMB1,089.6 million in 2021.

We must clearly recognize that although Hongjiu Fruit has become the largest fruit distributor in China, the market share remains less than 2%. In addition, China's fresh fruit industry is currently at a prime stage of rapid growth, and in the future it will be a period of development with both opportunities and challenges for us in the longer run. How to fully seize such strategic opportunity period and plan on a longer-term future of Hongjiu Fruit will be a lasting question that every Hongjiu people needs to answer.

I hope that all Hongjiu people will continue to consolidate our end-to-end advantages from a strategic perspective, accelerate the digitalization process and improve the efficiency of our integrated operation, enhance our competitive strengths, and always bear in mind our social responsibilities while advancing the development of the Group, adhere to our vision of sharing the joy of fresh fruit with the world (全球水果鏈，共享幸福果), empower all players in the fruit industry and jointly facilitate the sustainable and robust development of the industry, contributing our share to China's development strategies such as the "Rural Revitalization" Strategy and the "Belt and Road" Initiative and creating greater value for the whole society.

Finally, on behalf of Hongjiu Fruit, I would like to thank all stakeholders for their continued support, and thank every employee of Hongjiu Fruit for their hard work and dedication. Let us forge ahead together and create a brighter future!

Deng Hongjiu
Chairman

Chongqing, the People's Republic of China
April 29, 2023

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.

1) 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.

2) 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.

PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

We are subject to various risks related to our business, our industry and regulatory changes. Major risks we face include, among others,

i. Our business depends significantly on market recognition of our "洪九" and other trademarks and brand names, and any damage to our trademarks, brand names or reputation, or any failure to effectively promote our brands, could materially and adversely impact our business and results of operations.

ii. Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brands, business and financial performance.

iii. The prices of our fruit products may fluctuate subject to various factors.

iv. The disruption of significant supplier relationships could negatively affect our business. A shortage in the production capacity of our suppliers, or an impact on the ability to deliver our fruit products, may materially and adversely affect our business and results of operations.

v. Fluctuations in prices and changes in the quality of fruits procured from upstream suppliers could materially and adversely affect our profitability and results of operations.

vi. We may encounter difficulties in maintaining, expanding or optimizing our sales and distribution network.

vii. Our prepayments to major suppliers may involve significant uncertainty and subject to impairment.

viii. Our failure to recover a significant portion of our trade and other receivables in a timely manner may have a materially adverse effect on our business and financial results.

ix. We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors.

x. We rely on third-party logistics companies to fulfill our delivery needs.

xi. Our business is subject to the risks associated with international operations.

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 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**	
	RMB'000	%	**RMB'000**	**%**
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	10,280,074	100.0	**15,080,546**	**100.0**

The Group considers durian, dragon fruit, longan, grapes, cherry and mangosteen as its six core fruit products. According to CIC report, such six 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:

1) 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.

2) 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.

3) 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	10,280,074	100.0	**15,080,546**	**100.0**

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 (四川粑粑柑), 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" (獼天大聖) 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 RMB'000	Gross profit margin %	**Gross profit RMB'000**	**Gross profit margin %**
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	1,613,101	15.7	**2,575,882**	**17.1**

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:

1) 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.

2) 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.

3) 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 RMB'000	Gross profit margin %	**Gross profit RMB'000**	**Gross profit margin %**
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	1,613,101	15.7	**2,575,882**	**17.1**

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; (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.

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 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.

The Board hereby presents this Directors' report and the Group's audited consolidated financial statements for the year ended December 31, 2022 to the Shareholders.

CORPORATE INFORMATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the PRC on October 12, 2002. The Company's H shares were listed on the Main Board of the Hong Kong Stock Exchange on September 5, 2022.

Basic information about the Company is set out in "Corporate Information" on pages 2 to 3 of this report.

BUSINESS REVIEW

The Group is a fast-growing and multi-brand fruit group in China with an end-to-end supply chain. The Group focuses on managing the entire supply chain for quality fruits primarily grown in China, Thailand and Vietnam. Capitalizing on its industry experience accumulated through nearly 20 years of operations, the Group has established a product portfolio, among which durian, mangosteen, longan, dragon fruit, cherry and grapes are its core products. Through selecting and sourcing quality fruits grown from over 100 places of origin, together with direct procurement, standardized processing, and digitalized supply chain management, the Group has built up a portfolio of self-owned fruit brands covering a variety of categories. Leveraging its strategic penetration into premium places of origin, sales and distribution network across China, as well as efficient end-to-end supply chain, the Group is able to distribute its fruit products directly from orchards to retailers across China.

ENVIRONMENTAL POLICIES AND PERFORMANCE OF THE COMPANY

The Group is not exposed to any significant environmental risks. During the Reporting Period, the Group was not subject to any fines or other penalties for the non-compliance with environmental protection laws and regulations.

Further details of the environmental policies and performance of the Company are set out in the "Environmental, Social and Governance Report" on pages 63 to 101.

LEGAL PROCEEDINGS AND COMPLIANCE

The Group may be involved in various legal proceedings, arbitrations or litigations in the ordinary course of business from time to time. During the Reporting Period, the Group was not involved in any legal proceedings, arbitration or litigation which, in our opinion, would have a material adverse effect on the ordinary business, financial condition or results of operations and, to our knowledge, there is no risk of any such legal proceedings, arbitrations or administrative litigations.

The Group's business operations are subject to the laws and regulations applicable to the locations in which the Group operates. During the Reporting Period, the Group has not been and is not involved in any fines, enforcement actions or other administrative proceedings that could, individually or collectively, have a material adverse effect on the Group's business, financial condition or results of operations, and the Group has complied in all material respects with applicable laws and regulations.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the audited consolidated statements of profit or loss on page 108 of this report. The financial position of the Group as at December 31, 2022 is set out in the audited consolidated statements of financial position on pages 110 to 111 of this report.

MAJOR RISKS AND UNCERTAINTIES

Please refer to the section headed "Management Discussion and Analysis" in this report for major risks and uncertainties of the Group for the year ended December 31, 2022.

FUTURE DEVELOPMENT OF THE GROUP'S BUSINESS

Please refer to the section headed "Management Discussion and Analysis" in this report for future development of the Group's business for the year ended December 31, 2022.

FINAL DIVIDENDS

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

TAX CONCESSION AND EXEMPTION

The Company is not aware of any tax concession or exemption for any Shareholders who hold securities of the Company. Shareholders are advised to consult an expert if they are in any doubt about the tax implications of purchasing, holding, disposing of and trading in shares or exercising any of their rights in relation to them, including any right to tax concession.

SHARE CAPITAL IN ISSUE

For the year ended December 31, 2022, details of the movement of the share capital of the Company are set out in Note 23 to the Consolidated Financial Statements.

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.

Pursuant to the general mandate to allot and issue the Shares of the Company granted at the 2022 third extraordinary general meeting and renewed at the 2023 first extraordinary general meeting, the Company entered into the placing agreement and the supplemental placing agreement with two placing agents on April 12, 2023 in relation to the placement of new H Shares of the Company. Pursuant to the placing agreement, the Company successfully allocated and issued a total of 14,960,000 new H Shares to not less than six (6) placees (the placees and their respective ultimate beneficial owners are not connected persons of the Company) at a placing price of HK$23.61 per H Share, which were listed and traded on the Hong Kong Stock Exchange on April 19, 2023. The Company will change the registered capital of the Company and make amendments to the Articles of Association to reflect the change in the registered capital as a result of the Placing.

RESERVES

Details of the movements in the reserves of the Group for the year ended December 31, 2022 are set out in the consolidated statements of changes in equity on page 112 of this report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves were RMB3,145 million (as at December 31, 2021: RMB2,015 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PROPERTY, PLANT AND EQUIPMENT

Details of the property, plant and equipment of the Group for the year ended December 31, 2022 are set out in Note 11 to the Consolidated Financial Statements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's major customers are terminal wholesalers, emerging retailers and supermarket customers. For the year ended December 31, 2022, total sales to the Company's five largest customers accounted for approximately 8% of total revenue for the year.

The Group's major suppliers are fruit suppliers and logistics service providers. For the year ended December 31, 2022, total purchase from the Company's five largest suppliers accounted for approximately 11% of the total purchases for the year.

EMPLOYEES

As of December 31, 2022, we had a total of 2,607 full-time employees, the majority of whom were based in China.

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We recruit most of our employees in China through on-campus job fairs, recruitment agencies and online channels. We enter into labor contracts and confidentiality agreements with all of our employees. We review and evaluate our employees' performances monthly and annually, which forms the basis for determining the bonuses and promotions. According to the PRC laws, the Group participates in mandatory employee social security schemes that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. The Group and its employees are required to bear the costs of the social security schemes in proportion to a specified percentage. According to the PRC laws, the Group is required to make contributions to employee social security schemes directly at specified percentages of the salaries, bonuses and certain allowances of its employees, up to a maximum amount specified by the local government from time to time.

We place significant emphasis on internal referral and promotional opportunities, which we believe enables us to retain employees that appreciate our business operations and corporate values, which is vital to our sustainable long-term development. We offer our employees competitive compensation packages with performance-based bonuses, and an environment that encourages self-learning and development. We have regular and systematic training programs for employees of different departments and positions, in order to enhance their professional skill sets and understanding of the Company and the industry.

We have implemented Five-star Corporate Culture (五星文化) and Apprenticeship Program (師徒制) to engage and manage our employees. Our Five-Star Culture (五星文化) values pragmatism, accomplishment, self-enrichment, teamwork and self-discipline (務實、成就、學習、合作、自律). We generally place a premium on harmony over individualism, on substance over form, and on action over words. Through the Apprenticeship Program (師徒制), we establish a mentoring program in which new employees can receive guidance and training from senior mentors. This program ensures that apprentices receive adequate training for in-demand skills, while also encouraging mentors to take care of the apprentices, fostering strong bonds amongst our employees.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in Note 5 to the Consolidated Financial Statements in this report. During the Reporting Period, no forfeited contributions had been used by the Group to reduce its existing level of contributions.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of December 31, 2022 are set out in Note 19 to the Consolidated Financial Statements.

EXTERNAL DONATIONS

For the year ended December 31, 2022, the Group did not make any charitable donations.

DIRECTORS

For the year ended December 31, 2022 and as at the Latest Practicable Date, the directors of the Company are as follow:

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. Fan Weihong *(resigned on February 4, 2023)*
Ms. Xu Kemei *(appointed on February 4, 2023)*
Ms. Liu Xiuqin
Mr. An Rui
Mr. Liu Anzhou

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Fan Weihong, an independent non-executive director, submitted resignation application to the Board of the Company as she intended to devote more time to other personal commitments. In order to ensure that the compositions of the Board and the relevant special committee of the Board are in compliance with the relevant laws and regulations and the regulatory requirements, the resignation of Ms. Fan took effect from the date when a new independent non-executive Director elected at the general meeting of shareholders of the Company officially takes office. On February 4, 2023, with the approval of the general meeting of shareholders, Ms. Xu Kemei was appointed as an independent non-executive director of the fourth session of the Board of the Company for a term commencing from the date of consideration and approval at the general meeting of shareholders the Company to the expiry of the term of the fourth session of the Board of the Company.

Save as disclosed in this report, there has been no change in the information of Directors, Supervisors and Senior Management which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BRIEF BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, Supervisors and Senior Management of the Company are set out on in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company, particulars of which primarily include: (1) the term of office shall commence on the date of appointment and end on the date of the expiry of the term of the present Board of Directors/Supervisory Committee; and (2) the contract can be terminated in accordance with the terms thereof.

Save as disclosed above, none of the Directors and Supervisors have or are proposed to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the Directors and Supervisors of the Company is paid in the forms of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and benefits in kind. The remuneration of the Directors of the Company shall be determined in accordance with the relevant provisions of the Articles of Association and the relevant contracts entered into between the Company and the Directors.

Details of the Directors and the five highest paid individuals of the Company are set out in Note 7 and Note 8 to the Consolidated Financial Statements.

During the Reporting Period, no emoluments were paid by the Group to any Director, Supervisor or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. As of the Latest Practicable Date, the Company was not aware of any arrangement where any Director or Supervisor has waived or agreed to waive any remuneration.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTION, ARRANGEMENT OR CONTRACT

During the Reporting Period, no Director, Supervisor or an entity connected with them was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is material to the business of the Group to which the Company or any of its subsidiaries was a party subsisting during the year ended December 31, 2022 or as of December 31, 2022.

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN COMPETING BUSINESS

Set out below are interests of Mr. Chen Tongtong ("**Mr. Chen**"), a non-executive Director, in businesses which may compete with our business for the purpose of Rule 8.10(2) of the Listing Rules as of the Latest Practicable Date.

Name of Director	Name of Company	Position
Mr. Chen	Shanghai Fengyun Internet Technology Co., Ltd. (上海蜂耘網絡科技有限公司) ("**Shanghai Fengyun**")	Legal representative, executive director and general manager
	Shanghai Vegetable Supermarket Co., Ltd. (上海菜菜超市有限公司) ("**Shanghai Vegetable Supermarket**")	Legal representative, executive director and general manager

Shanghai Fengyun serves the construction of Alibaba Group Holding Limited ("**Alibaba Group**") fresh fruit supply system by establishing an end-to-end supply chain of fresh fruits from the place of origin to the place of sale, while Shanghai Vegetable Supermarket engages in community group buying business and its main customers are end consumers (collectively, the "**Relevant Businesses**"). Our Directors are of the view that there is neither any substantial competition between the business of our Company and the Relevant Businesses, nor any material conflict of interests arising from Mr. Chen's position in Shanghai Fengyun or Shanghai Vegetable Supermarket for the following reasons:

(i) ***Different emphasis on business models and target customers***. The business model of each of the Relevant Businesses has different emphasis from that of our Group in terms of, among others, business model, target customers and operational structure. We focus on the entire industry supply chain operations for quality fruits from China, Thailand and Vietnam. We have established an extensive sales and distribution network nationwide to reach customers of different demographics. As of December 31, 2022, we had 23 sales branches and 60 sorting centers across China. Such sales branches function as frontline sales grids covering 300 cities. We strategically locate our sales branches in local wholesale fruit markets to maximize their service radius.

However, Shanghai Fengyun is a member of the agricultural digitalization business segment of Alibaba Group which primarily serves the internal supply chain channel of Alibaba Group and its subsidiaries. Our sales to entities controlled by Alibaba Group only accounted for 2.17% of our total revenue for the year ended December 31, 2022. Meanwhile, Shanghai Vegetable Supermarket is a member of Taocaicai of Alibaba Group, which primarily focuses on community group buying business and its target and major customers are end consumers.

(ii) ***No material conflict of interest***. Mr. Chen is an executive director and general manager of each of Shanghai Fengyun and Shanghai Vegetable Supermarket. He is a non-executive Director of our Company, primarily responsible for providing strategic advice on the operations of our Company and participating in the decision-making of the Board. Mr. Chen is not involved in the day-to-day management of the operations of our Group and is also aware of his fiduciary duties as a Director which require, among other things, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests. In the event that there is a potential conflict of interest arising out of Mr. Chen's positions held in the Relevant Businesses, Mr. Chen shall abstain from voting on any resolutions of our Board approving any contract or arrangement or any other proposal in which he has a material interest and shall not be counted in the quorum present at the relevant meeting of our Board.

Save as disclosed above, during the Reporting Period, none of the Directors, Controlling Shareholders and their respective associates had any interests in any business which competes or is likely to compete with the business of the Group, either directly or indirectly, or any other conflicts of interest with the Group.

MATERIAL CONTRACTS

Save as disclosed in this report, during the Reporting Period, the Company or any of its subsidiaries has not entered into any material contract with the Controlling Shareholder or any of their subsidiaries other than the Group, and there was no material contract in relation to provision of services between the Group and the Controlling Shareholder or any of their subsidiaries other than the Group subsisting.

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

As at December 31, 2022, 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 taken 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	101,740,360	64.99	21.77
	Interest of spouse	Domestic Shares	21,363,325	13.65	4.57
	Beneficial owner	H Shares	51,369,990	16.53	10.99
	Interest of spouse	H Shares	21,363,325	6.87	4.57
	Interest in controlled corporation	H Shares	12,838,350	4.13	2.75
Ms. Jiang Zongying [2][3]	Beneficial owner	Domestic Shares	21,363,325	13.65	4.57
	Interest of spouse	Domestic Shares	101,740,360	64.99	21.77
	Beneficial owner	H Shares	21,363,325	6.87	4.57
	Interest of spouse	H Shares	64,208,340	20.66	13.74
Mr. Peng He	Beneficial owner	Domestic Shares	838,500	0.54	0.18
	Beneficial owner	H Shares	838,500	0.27	0.18

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. Yang Junwen (4)	Beneficial owner	Domestic Shares	487,500	0.31	0.10
	Beneficial owner	H Shares	487,500	0.16	0.10
	Interest of spouse	Domestic Shares	97,500	0.06	0.02
	Interest of spouse	H Shares	97,500	0.03	0.02
Ms. Tan Bo	Beneficial owner	Domestic Shares	487,500	0.31	0.10
	Beneficial owner	H Shares	487,500	0.16	0.10
Ms. Yu Lixia	Beneficial owner	Domestic Shares	253,500	0.16	0.05
	Beneficial owner	H Shares	253,500	0.08	0.05

Notes:

1. As at December 31, 2022, the Company had 467,368,802 issued Shares, comprising 156,557,407 Domestic Shares and 310,811,395 H Shares.

2. As at December 31, 2022, 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 12,838,350 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 December 31, 2022, 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.

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

So far as the Directors and the Company are aware, as at December 31, 2022, 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 class 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 capita (%)[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	36,245,913	11.66	7.76
Taobao (China) Software Co., Ltd. (淘寶(中國)軟件有限公司)[2]	Interest in controlled corporation	H Shares	36,245,913	11.66	7.76
Zhejiang Tmall Technology Co., Ltd. (浙江天貓技術有限公司) [2]	Interest in controlled corporation	H Shares	36,245,913	11.66	7.76
Taobao China Holding Limited [2]	Interest in controlled corporation	H Shares	36,245,913	11.66	7.76
Taobao Holding Limited [2]	Interest in controlled corporation	H Shares	36,245,913	11.66	7.76
Alibaba Group Holding Limited [2]	Interest in controlled corporation	H Shares	36,245,913	11.66	7.76
China Agricultural Reclamation Industry Development Fund (Limited Partnership) [3]	Beneficial owner	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
Zhaoken Capital Management (Beijing) Co., Ltd. [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
Beidahuang Investment Holding Co., Ltd. [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
Shenzhen Zhaorong Agricultural Management Co., Ltd. [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
Shenzhen Zhaorong Investment Holding Co., Ltd. [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
China Merchants Steamship Co., Ltd. [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
China Merchants Group Limited [3]	Interest in controlled corporation	Domestic Shares H Shares	5,967,873 23,871,492	3.81 7.68	1.28 5.11
Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) [4]	Beneficial owner	H Shares	18,299,883	5.89	3.92
Chongqing Industry Guidance Equity Investment Fund Co., Ltd. [4]	Interest in controlled corporation	H Shares	21,283,818	6.85	4.55
Chongqing Yibainian Equity Investment Fund Management Co., Ltd. [4]	Interest in controlled corporation	H Shares	18,299,883	5.89	3.92
Shenzhen Xinyi'an Investment Venture Capital Partnership (Limited Partnership)	Interest in controlled corporation	H Shares	18,299,883	5.89	3.92

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 capita (%)[1]
Suzhou Zhilan Equity Investment Center (Limited Partnership) [5]	Beneficial owner	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20
Shanghai CMC Industry Equity Investment Management Center (Limited Partnership) [5]	Interest in controlled corporation	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20
Suzhou Junyi Equity Investments Center (Limited Partnership) [5]	Interest in controlled corporation	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20
CMC II (Shanghai) Equity Investment Center (Limited Partnership) [5]	Interest in controlled corporation	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20
CMC (Shanghai) Equity Investment Management Co., Ltd. [5]	Interest in controlled corporation	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20
Mr. Li Ruigang [5]	Interest in controlled corporation	Domestic Shares	4,907,204	3.13	1.05
		H Shares	19,628,815	6.32	4.20

Notes:

1. As at December 31, 2022, the Company had 467,368,802 issued Shares, comprising 156,557,407 Domestic Shares and 310,811,395 H Shares.

2. As at December 31, 2022, 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 36,345,913 H Shares held by Alibaba (China) Network Technology Co., Ltd. under the SFO.

3. As at December 31, 2022, 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 5,967,873 Domestic Shares and 23,871,492 H Shares held by China Agricultural Reclamation Industry Development Fund (Limited Partnership) under the SFO.

4. As at December 31, 2022, 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 18,299,883 H Shares held by Chongqing Yibainian Modern Agricultural Equity Investment Fund Partnership (Limited Partnership) under the SFO.

5. As at December 31, 2022, 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 4,907,204 Domestic Shares and 19,628,815 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 December 31, 2022, 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.

RIGHTS OF DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

During the year ended December 31, 2022, at no time was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

During the year ended December 31, 2022, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into by the Company or subsisted.

EQUITY-LINKED AGREEMENTS

During the year ended December 31, 2022, no equity-linked agreement was entered into by the Group or subsisted.

ARRANGEMENTS ON PRE-EMPTIVE RIGHTS AND SHARE OPTIONS

During the year ended December 31, 2022, the Company had no arrangement on pre-emptive rights or share options; no specific provisions on pre-emptive rights were contained in the PRC laws or the Articles of Association of the Company.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurances for the Directors, Supervisors and senior management. Such liability insurances contain permitted indemnity provision. Save for the above, as of December 31, 2022, none of the Directors of the Company can benefit from any indemnity provision in force.

PUBLIC FLOAT

According to information publicly available to the Company, and to the knowledge of the Directors of the Company, as of the Latest Practicable Date, the public float of the company is in compliance with the requirement under Rule 8.08 of the Hong Kong Listing Rules.

ISSUANCE OF DEBENTURES

For the year ended December 31, 2022, no debentures were issued by the Group.

CORPORATE GOVERNANCE

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. Since the Listing Date, the Company has adopted the provisions of the Code of Corporate Governance as the basis for its corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this report.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, no other significant events affecting the Group have occurred since December 31, 2022 and up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of the related party transactions undertaken by the Group during the Reporting Period are set out in Note 25 to the Consolidated Financial Statements. The related party transactions disclosed in Note 25 were not regarded as connected transactions or not constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. For the year ended December 31, 2022, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

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 Over-allotment 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 Over-allotment 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 the Latest Practicable Date, 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**	**Percentage of total net Previous Proceeds**	**Expected timetable for use of the unutilized net Previous Proceeds**
	(RMB in million)	*(%)*	
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%**	

USE OF PROCEEDS FROM THE H SHARE PLACING

Reference 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. The net price per H Share under the Placing was HK$23.05. As of the Latest Practicable Date, the Group has not utilized the net proceeds from the Placing and intends to use all the proceeds from the Placing in the manner as disclosed in the Announcements:

Intended use of net Proceeds from the Placing	Allocation of net Proceeds from the Placing	Percentage of total net Proceeds from the Placing	Amount of net Proceeds from the Placing utilized as of the Latest Practicable Date	Balance of net Proceeds from the Placing unutilized as of the Latest Practicable Date	Expected timetable for use of the unutilized net Proceeds from the Placing
	(HKD in million)	*(%)*	*(HKD in million)*	*(HKD in million)*	
For strengthening the fruit supply chain	241.40	70	0	241.40	Before December 31, 2023
For replenishing working capital	103.46	30	0	103.46	Before December 31, 2023
Total	**344.86**	**100%**	**0**	**344.86**	

The expected timeline 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.

PRIVATE PLACEMENT OF DOMESTIC UNLISTED ORDINARY SHARES

Reference is made to the announcement of the Company dated April 4, 2023, in relation to the proposed private placement of no more than 30,487,802 domestic unlisted ordinary Shares of the Company. The issue price is RMB16.40 per Share, and the gross proceeds are expected to be approximately RMB500.00 million, which will be used to strengthen the fruit supply chain and replenish working capital. As of the Latest Practicable Date, the private placement of domestic unlisted ordinary Shares is still subject to the approval of the general meeting and the Shareholders' class meetings of the Company and the approval of the CSRC.

AUDIT COMMITTEE

The audit committee of the Board, together with the management and the 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.

AUDITOR

During the Reporting Period, the Company issued overseas listed foreign Shares (H Shares) and was listed on the Main Board of the Hong Kong Stock Exchange, for which KPMG was appointed as the auditor. Save as disclosed above, our Company has not changed auditor for past three years. The Group's consolidated financial statements for the year ended December 31, 2022, prepared in accordance with IFRSs, have been audited by KPMG.

KPMG will retire at the 2022 annual general meeting and being eligible, has offered itself for re-appointment, and a resolution to this effect shall be proposed at the 2022 annual general meeting.

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

The Board hereby presents this corporate governance report (the "**Corporate Governance Report**") in the Company's annual report for the year ended December 31, 2022.

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 since the Listing Date. The Company has complied with all the applicable code provisions as set out in the CG Code from the Listing Date to the Latest Practicable Date.

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.

VALUES AND CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES

Since the Listing Date, the Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors, the Supervisiors, and the Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities. Specific enquiries have been made to all Directors and the Supervisiors and the Directors and the Supervisiors have confirmed that they have complied with the Model Code during the Reporting Period.

No incident of non-compliance with the Model Code by the employees was noted by the Company during the Reporting Period.

DIRECTORS

Board of Directors

The Company is governed by the Board which is responsible for the leadership and control of the Group, overseeing and managing the Group's businesses, strategic decisions and performance, convening Shareholders' general meetings and reporting our Board's work at the Shareholders' general meetings, implementing the resolutions passed at the Shareholders' general meetings; determining our business plans and investment plans, preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses, preparing plans for the increase or decrease in registered capital; and exercising other power, functions and duties as conferred by the Articles of Association.

All the Directors carry out their duties in good faith and are in compliance with applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

Formal service agreements and letters of appointment have been entered into with the executive Directors, the non-executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments. Pursuant to the Articles of Association, the term of office of each Director is three years, subject to re-election.

The insurance cover in respect of legal action against the Company's Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

Save as disclosed in the biographies of Directors and Senior Management are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report, to the best knowledge of the Directors, there is no personal relationship (including financial, business, family or other material/relevant relationship) between Directors and any other Directors, the Chairman of the Board and the chief executive of the Company.

BOARD COMPOSITION

The Board currently comprises of the following 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. Fan Weihong *(resigned on February 4, 2023)*
Ms. Xu Kemei *(appointed on February 4, 2023)*
Ms. Liu Xiuqin
Mr. An Rui
Mr. Liu Anzhou

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report. The Company considers that the composition of the Board is well balanced. Each of the Directors has the relevant experience, knowledge and expertise that can contribute to the business of the Company. The executive Directors oversee the daily operations of the Group while the independent non-executive Directors bring along independent judgment to the decision-making process of the Board.

During the period from the Listing Date to the Latest Practicable Date, the Company has complied with Rules 3.10(1) and (2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 3.13 of the Listing Rules. The Company has received a confirmation of independence from each of the independent non-executive Directors as required under the Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent. The Board will assess their independence on an annual basis.

The Company has established a mechanism to ensure independent views and input are available to the Board through the external independent professional advice from legal advisers and auditor, as well as the full attendance of all INEDs at all the meetings of the Board and its relevant committees. The Board reviews the implementation and effectiveness of the aforementioned mechanisms on an annual basis.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Deng Hongjiu has been serving as the Chairman of the Board and is primarily responsible for, among others, the overall strategic planning of the Company and presiding over the Board affairs. The general manager of the Company is Ms. Jiang Zongying, who is responsible for overseeing the operations and management of the Company.

RESPONSIBILITIES AND DELEGATION OF FUNCTIONS

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Company. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to the relevant information of the Group as well as the advice and services of the Joint Company Secretaries and senior management of the Company, in order to ensure compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request being made to the Board. The Board has delegated the responsibility for implementing its corporate strategies and the day-to-day management, operation and administration to the management of the Company under the leadership of the executive Directors. Clear guidance has been made as to the matters that should be reserved to the Board for its decision which include matters on, inter alia, capital, finance and financial reporting, internal control, communication with Shareholders, Board composition, delegation of authority and corporate governance. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board's approval.

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

(1) to develop and review the policies and practices on corporate governance of the Company and make recommendations to the Board;

(2) to review and monitor the training and continuous professional development of Directors and senior management;

(3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All executive Directors, non-executive Directors and independent non-executive Directors are appointed for a specific term of three years. None of the Directors has a service contract or letter of appointment with the Company or any of its subsidiaries other than the contracts/letters of appointment expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

The ordinary resolutions to approve the appointment of Directors shall be passed by votes representing more than one-half of the voting rights represented by the Shareholders (including proxies) present at the general meeting.

If the term of office of a Director has expired but re-election is not timely made, or the said Director has resigned within his/her term of office, resulting in the numbers of members of the Board falls short of the quorum, the said Director shall continue to perform his/her duties as Director pursuant to relevant laws, administrative regulations, departmental rules and the Articles until a new Director is elected.

BOARD MEETINGS, GENERAL MEETINGS AND PROCEDURES

Pursuant to the CG Code, at least four regular Board meetings should be held in each year. The Board is scheduled to meet regularly at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. During the period from the Listing Date to December 31, 2022, two Board meeting was held, and one general meeting was held. The attendance records of each Directors are set out below:

	Number of Attendance/	
	Number of Board meetings	**Number of General Meeting**
Mr. Deng Hongjiu	2/2	1/1
Ms. Jiang Zongying	2/2	1/1
Mr. Peng He	2/2	1/1
Mr. Yang Junwen	2/2	1/1
Ms. Tan Bo	2/2	1/1
Mr. Xia Bei	2/2	1/1
Mr. Dong Jiaxun	2/2	1/1
Mr. Chen Tongtong	2/2	1/1
Ms. Xu Kemei (Appointed on 4 February 2023)	0/0	0/0
Ms. Liu Xiuqin	2/2	1/1
Mr. An Rui	2/2	1/1
Mr. Liu Anzhou	2/2	1/1
Ms. Fan Weihong (Resigned on 4 February 2023)	2/2	1/1

During the period from the Listing Date to December 31, 2022, one meeting was held between the chairman of the Board and the independent non-executive Directors without the presence of other Directors.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for regular Board meetings and meeting agenda are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and relevant information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Joint Company Secretaries are responsible for keeping minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final version is open to Directors for inspection. The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials regarding the responsibilities and obligations of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Company and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors to ensure that he or she has a proper understanding of the operation and business of the Company and full awareness of Directors' responsibilities and obligation under the Listing Rules and relevant statutory requirements. All Directors have been provided monthly updates giving a balanced and understandable assessment of the Group's performance, financial position and prospects to keep the Directors' abreast of the Group's affairs in order to discharge their duties. All Directors are also updated from time to time on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company.

During the year ended December 31, 2022, all Directors had participated in continuous professional development in the following manner in compliance with code provision C.1.4 of the CG Code:

Name of Directors	Type of training
Mr. Deng Hongjiu	A+B
Ms. Jiang Zongying	A+B
Mr. Peng He	A+B
Mr. Yang Junwen	A+B
Ms. Tan Bo	A+B
Mr. Xia Bei	A+B
Mr. Dong Jiaxun	A+B
Mr. Chen Tongtong	A+B
Ms. Liu Xiuqin	A+B
Mr. An Rui	A+B
Mr. Liu Anzhou	A+B
Ms. Fan Weihong	A+B

A: attending seminars/courses/conference to develop professional skills and knowledge

B: reading materials in relation to regulatory update

CORPORATE GOVERNANCE FUNCTIONS

As mentioned in the paragraph A.4 "Responsibilities and delegation of functions" of this report, the Board is responsible for performing the corporate governance duties. During the year, the Board has reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the continuous professional development of the Directors and also reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Remuneration and Evaluation Committee, the Nomination Committee and the Strategic and Investment Decision Committee, to assist them in the efficient implementation of their functions and to oversee particular aspects of the Company's affairs. Specific responsibilities, as set out in their respective terms of reference which are available on the websites of the Stock Exchange and the Company, have been delegated to the above committees and the corporate governance duties as required under code provision A.2 Principle of the CG Code have been performed. All committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

AUDIT COMMITTEE

The Audit Committee was established by the Company in accordance with Rules 3.21 to 3.23 of the Listing Rules. The terms of reference of the Audit Committee was adopted in compliance with the CG Code. The primary duties of the Audit Committee are mainly to (i) review the Company's financial information and monitor the integrity of the Company's financial statements, annual report and accounts, half-year report, and to review significant financial reporting judgments contained therein before submission to the Board; (ii) manage the relationship with the external auditors, including but not limited to making recommendation to the Board on the appointment, reappointment and removal of external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, discussing with the auditors the nature and scope of the audit and reporting obligations, and developing and implementing policy on engaging an external auditor to supply non-audit services; (iii) overseeing the Company's financial reporting system, risk management and internal control systems and associated procedures; and (iv) develop, review and monitor the Company's policies and practices on corporate governance issues, including but limited to training and continuous professional development of Directors and senior management, and the Company's compliance with legal and regulatory requirements and the CG Code.

As of the Latest Practicable Date, the Audit Committee consists of three members, including three independent non-executive Directors, Ms. Xu Kemei (Chairperson), Mr. An Rui and Ms. Liu Xiuqin. During the period from the Listing Date to December 31, 2022, the Audit Committee held one meeting and the work performed by the Audit Committee was summarised as follows:

(1) reviewed the Company's interim results announcement for the six months ended June 30, 2022;

(2) reviewed the Company's interim report for the six months ended June 30, 2022, which sets out the Group's accounting policies, financial performance and position;

(3) reviewed the findings and recommendations from external auditors and the independent internal control reviewer;

(4) reviewed the independence of the external auditors and engagement of external auditors;

(5) reviewed the audit plan, internal control plan, the development in accounting standards and their effects on the Group, financial reporting and risk management matters;

(6) reviewed the adequacy of resources, qualifications and experience of staff in the Group's accounting and financial reporting functions; and

(7) reviewed the effectiveness of the Group's risk management and internal control systems.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Ms. Xu Kemei (Chairperson) (appointed on February 4, 2023)	0/0
Ms. Fan Weihong (resigned on February 4, 2023)	1/1
Mr. An Rui	1/1
Ms. Liu Xiuqin	1/1

The Company's annual report and annual results announcement for the year ended December 31, 2022 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

NOMINATION COMMITTEE

The Company has established the Nomination Committee with written terms of reference in compliance with the CG Code. The terms of reference was adopted in compliance with the CG Code. The primary duties of the Nomination Committee are to (i) review the structure, size, composition and diversity (including without limitation, professional experience, skills, knowledge, age, gender, education, cultural background and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) determine the policy for the nomination of Directors, identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships, and in identifying suitable individuals, consider individuals on merit and against the object criteria, with due regard for the benefits of diversity on the Board; (iii) assess the independence of independent non-executive Directors of the Company; (iv) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future; and (v) review the board diversity policy, the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives, and make disclosure of its review results in the corporate governance report annually.

As of the Latest Practicable Date, the Nomination Committee consists of three members, including two independent non-executive Directors, Mr. An Rui (Chairperson) and Ms. Liu Xiuqin and one executive Director, Ms. Jiang Zongying. During the period from the Listing Date to December 31, 2022, the Nomination Committee held one meeting and the work performed by the Nomination Committee was summarised as follows:

(1) reviewed and confirmed the structure, size and composition of the Board and the split between number of executive Directors and independent non-executive Directors remained appropriate for the Board to perform its duties;

(2) reviewed and confirmed the Board has a diverse mix of skills, knowledge, experience and gender;

(3) reviewed the board diversity policy (the "**Board Diversity Policy**"); and

(4) formulated the nomination policy (the "**Nomination Policy**") and made a recommendation to the Board for adoption.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Mr. An Rui (Chairperson)	1/1
Ms. Liu Xiuqin	1/1
Ms. Jiang Zongying	1/1

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on our Board. With a view to achieving a sustainable and balanced development, the Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Company commits to selecting the best person for the role. Selection and nomination of candidates will be based on a range of diversity perspectives, including but not limited to professional experience, skills, knowledge, age, gender, education, cultural background and length of service. Potential Board candidates are selected based on merit and his/her potential contribution to the Board and by taking into consideration the Company's business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is responsible for the implementation of the Board Diversity Policy and had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy and Nomination policy.

As at December 31, 2022, the Board have a reasonable age structure, with four directors aged 31 to 45 and eight directors aged 45 to 60. The Board has four female members and eight male members. Furthermore, members of the Board have a balanced mix of knowledge, skills and experience, including engineering, overall business management, finance and investment. The Directors obtained degrees in various majors, including business administration, economics, accounting and engineering. The Board has four independent non-executive Directors who have different industry backgrounds, representing over one-third of our Board members.

The Nomination Committee has considered measurable objectives based on four focus areas: gender, age, professional experience and length of service to implement the Board Diversity Policy. Such objectives will be reviewed from time to time as and when appropriate and at least once a year to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy and our diversity profile as appropriate and at least once a year to ensure its continued effectiveness from time to time, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The effective implementation of the Board Diversity Policy also depends on the judgement of the Shareholders of the Company on the suitability of individual candidates and their views on the scale of gender diversity of our Board. As such, the Board will provide the Shareholders with detailed information of each candidate for appointment or re-election to the Board through announcements and circulars published prior to general meetings of our Company.

The Nomination Committee will disclose in the corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

As at December 31, 2022, the Group has a total of 2,607 employees, of which 1,075 are male, accounting for 41.2% of the total number of employees; and 1,532 are female, accounting for 58.8% of the total number of employees.

The Company ensures that the recruitment and selection of personnel at all levels are conducted in accordance with appropriate framework procedures to attract candidates with diverse backgrounds for the Group's engagement. The Group plans to cultivate employees with a broader and more diverse background as well as rich work experience and skills, with a view to promote them to senior management and directorships over time.

NOMINATION PROCEDURES

The Nomination Committee identifies individuals suitably qualified to become Board members, having due regard to the Board Diversity Policy, Nomination Policy and the needs of the Company by considering the skills, knowledge, experience, expertise, etc. of the proposed candidate and assesses the independence of the proposed independent non-executive director, as the case may be. The Nomination Committee then makes recommendation(s) to the Board. The Board considers the candidate(s) recommended by the Nomination Committee, having due regard to the Board Diversity Policy, nomination policy and the needs of the Company. The Board will then confirm the appointment of the candidate(s) as Director(s) or recommends the candidate(s) to stand for re-election at a general meeting of the Company. Candidate(s) appointed by the Board will be subject to re-election by the Shareholders at the next following annual general meeting in the case of an addition to the existing Board or the first general meeting of the Company after his/her appointment in the case of filling a casual vacancy in accordance with the Articles of Association.

REMUNERATION AND EVALUATION COMMITTEE

The Company established the Remuneration and Evaluation Committee with written terms of reference in compliance with the CG Code. The terms of reference was adopted. The Remuneration and Evaluation Committee adopted the approach under code provision E.1.2(c)(ii) of the CG Code to make recommendation to the Board on the remuneration packages of individual Directors and senior management. The primary duties of the Remuneration and Evaluation Committee are to (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management/determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; and (iv) make recommendations to the Board on the remuneration of independent non-executive Directors.

As of the Latest Practicable Date, the Remuneration and Evaluation Committee consists of three members, including two independent non-executive Directors, Ms. Liu Xiuqin (Chairperson) and Mr. An Rui and one executive Director, Ms. Tan Bo. The Remuneration and Evaluation Committee may consult with the Chairman about its proposals relating to the remuneration of other executive Directors. The remuneration of the Directors was determined with reference to the salaries paid by comparable companies and the experience, responsibilities, workload, time devoted to the Group and individual performance of the Directors, as well as the performance of the Group.

During the period from the Listing Date to December 31, 2022, the Remuneration and Evaluation Committee held one meeting and the work performed by the Remuneration and Evaluation Committee was summarised as follows:

(1) made recommendations to the Board on the remuneration packages of Directors, senior management and employees of the Group;

(2) reviewed the appropriateness of the remuneration policy; and

(3) evaluated the performance of Directors and senior management of the Group.

The attendance records of each committee members are set out below:

	Number of attendance/Number of meetings
Ms. Liu Xiuqin (Chairperson)	1/1
Mr. An Rui	1/1
Ms. Tan Bo	1/1

Pursuant to code provision E.1.5 of the CG Code, the remuneration of the senior management of the Company by band for the year ended 31 December 2022 was set out below.

Remuneration (RMB'000)	**Number of Individuals**
1,000 to 2,000	1
0 to 1,000	4

STRATEGIC AND INVESTMENT DECISION COMMITTEE

The Company established the Strategic and Investment Decision Committee with written terms of reference in compliance with the CG Code. The terms of reference was adopted. The primary duties of the Strategic and Investment Decision Committee are to research and make recommendations on strategic planning for long-term development of the Company, to research and make recommendations on major investments and financing plans that are required to be approved by the Board of Directors as stipulated in the Articles of Association, to research and make recommendations on major capital operation and asset operation projects that are required to be approved by the Board of Directors as stipulated in the Articles of Association and to research and make recommendations on other major matters affecting the development of the Company.

As of the Latest Practicable Date, the Strategic and Investment Decision Committee consists of three members, including two executive Directors, Mr. Deng Hongjiu (Chairperson) and Mr. Yang Junwen, and one independent non-executive Director, Mr. An Rui.

During the period from the Listing Date to December 31, 2022, no meeting was held by the Strategic and Investment Decision Committee and the work performed by the Strategic and Investment Decision Committee was summarised as follows:

(1) to study and advise on the long-term strategy and major investments and financing plans of our Group; and

(2) other matters authorized by the Board.

	Number of attendance/Number of meetings
Mr. Deng Hongjiu (Chairperson)	0/0
Mr. Yang Junwen	0/0
Mr. An Rui	0/0

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibilities for preparing the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements in accordance with statutory and/or regulatory requirements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement by the auditor of the Company about their reporting responsibilities and opinion on the financial statements is set out in the Independent Auditor's Report on pages 102 to 107 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year ended December 31, 2022, the Company has complied with Paragraph D.2 of the CG Code by establishing appropriate and effective risk management and internal control systems. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The management is responsible for designing, implementing and monitoring the risk management and internal control systems while the Board oversees the management in performing its duties on an on going basis.

The management, under the supervision of the Board, has implemented and maintained appropriate and effective risk management and internal control system, which aims to manage and reduce (i) risks associated with the Group's daily operations; (ii) risks of failing to achieve business objectives; (iii) risks of asset misappropriation; and (iv) risks of making potential material misstatements or losses. However, the risk management and internal control system can only provide reasonable and not absolute assurance against material misstatements or losses. Main features of the risk management and internal control systems are described in the sections below:

RISK MANAGEMENT SYSTEM

The Company adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

- Risk identification: Identify risks that could potentially affect the Group's operation and business..
- Risk evaluation: Analyze the likelihood and impact of risks on the Group's business and evaluate the risk portfolio accordingly.
- Management: Determine the risk management strategies and internal control processes to prevent, avoid or mitigate the risks; monitor the risks on an on-going basis and ensure effective and appropriate internal control processes are in place; report the results and effectiveness of risk management and internal control to the Board regularly.

With regard to the principal risks encountered by the Group, please refer to the paragraph headed "PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP" under "Management Discussion and Analysis" set out in this report.

INTERNAL CONTROL SYSTEM

The Company has in place an internal control system which enables the Company to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal control procedures are designed to monitor operations of the Group and ensure overall compliance. The components of the internal control system framework are shown as follow:

- Control Environment: A set of standards, processes and structures has been implemented to provide the basis for carrying out internal control across the Company.
- Risk Assessment: A dynamic and iterative process for identifying, assessing and analyzing risks to achieve the Company's objectives, forming a basis for determining how risks should be managed.
- Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
- Information and Communication: Regular and effective internal and external communication to provide the Company with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain the existence and effective operation of each component of the internal control system.

In order to enhance the Company's system of handling and disseminating inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Company also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that potential inside information being captured and confidentiality of such information being maintained in order to prevent a breach of a disclosure requirement in relation to the Company, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality;

- Confidentiality agreements are in place when the Company enters into significant negotiations;

- Reporting channels are in place for different operating units to report any potential inside information to designated departments;

- The executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors and to respond to external enquiries.

Based on the internal control reviews conducted in 2022, no significant internal control deficiency was identified.

INTERNAL AUDIT FUNCTION

The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit department will be reviewed from time to time.

EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for overseeing the implementation and managing the risk management and internal control systems of the Company and ensuring review of the effectiveness of these systems has been conducted annually. The review covered all material controls of the Group, including financial, operational and compliance controls. Several areas have been considered during the Board's review, including but not limited to (i) the changes in the nature and extent of significant risks (including ESG risks) since the last annual review, and the Company's ability to respond to changes in its business and the external environment; (ii) the scope and effectiveness of management's ongoing monitoring of risks (including ESG risks) and of the internal control systems; (iii) the extent and frequency of communication of monitoring results to the board (or board committee(s)) which enables it to assess control of the issuer and the effectiveness of risk management; (iv) significant control failings or weaknesses that have been identified during the period, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; (v) the effectiveness of the issuer's processes for financial reporting and Exchange Listing Rule compliance; and (vi) the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit, financial reporting functions, as well as those relating to the Company's ESG performance and reporting.

The Board, through its review and the review made by IA Department and the Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

ANTI-CORRUPTION

The Group does not tolerate any form of corruption, such as bribery, extortion, fraud or money laundering. The Group requires all employees to comply with professional ethics, and prohibits any form of corruption. The Group has established anti-corruption policy/code of conduct for employees/Employee Handbook and adopted a zero-tolerance policy for any form of corruption. Employees who are found to have committed corruption will received disciplinary action, including being discharged from their duties and required to indemnify the losses caused. If their acts are found to be in violation of any regulatory requirement, the employee will be held accountable for his/her judicial responsibility. The Group further strengthens the awareness of employees and new recruits by conducting periodic anti-corruption training.

WHISTLEBLOWING POLICY

The Board has established and adopted a whistleblowing policy which sets out the channels for employees and those who deal with the Group, including customers and suppliers, to raise concerns about possible improprieties in any matters about the Group, including financial reporting, internal control, corruption, or any kind of misconduct. Complaints will be kept confidential and anonymous, and will be handled in a timely and fair manner. The Audit Committee is responsible for the implementation and oversight of the policy and will review the policy annually.

INDEPENDENT AUDITOR'S REMUNERATION

The remuneration paid/payable to the independent auditor of the Company for the year ended December 31, 2022 is set out as follows:

Services rendered	Paid/payable *RMB'000*
Audit services	3,656
Non-audit services	943
Total	4,599

JOINT COMPANY SECRETARIES

Ms. Deng Haoyu and Ms. Lai Siu Kuen were appointed as the Joint Company Secretaries of the Company and are responsible for overseeing the company secretarial work of the Group. The primary contact person of Ms. Lai at the Company is Ms. Deng.

In accordance with the requirements under Rule 3.29 of the Listing Rules, both Ms. Deng and Ms. Lai confirmed that they have taken not less than 15 hours of relevant professional training during the year ended December 31, 2022.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that a transparent and timely disclosure of the Company's information is essential for enhancing investor relations and will enable the Shareholders and investors to make the best investment decision and to have better understanding of the Company's business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board and the chairmen of the Board committees will endeavour to meet the Shareholders at the general meetings to answer any questions raised by the Shareholders.

The Company has adopted a Shareholders Communication Policy (the "**Shareholders Communication Policy**") to ensure that Shareholders' views and concerns are appropriately addressed with the objective of ensuring transparent, accurate and open communications with the Shareholders, which will be reviewed on a regular basis annually to ensure its effectiveness.

The Company also maintains a website at https://www.hjfruit.com/ where corporate communication documents, other documents issued by the Company which are published on the website of the Stock Exchange, constitutional documents, corporate information, other corporate publications and up-to-date information and updates of the Company's operations, performances and strategies are available to public access. The Company's website serves as a communication platform with the Shareholders and investors.

The Shareholders and investors may also write directly to the Company's principal place of business and headquarters in China at 22/F, Block B, Zhongtiefenghui, Donghu South Road, Yubei District, Chongqing, PRC or via email to ir@hjfruit.com to make any queries. Queries are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHTS

Procedures for convening extraordinary meeting or class meeting on requisition

The Shareholders of the Company shall follow the procedures as prescribed in Article 64 of the Articles of Association to convene an extraordinary general meeting or class meeting of the Company. Pursuant to Article 64, Shareholders individually or jointly holding 10% or more of the Company's shares have the right to request the Board of Directors to hold an extraordinary general meeting or a class meeting, and such request shall be in writing and specify the matters to be considered at the meeting. According to laws, administrative regulations, the Hong Kong Listing Rules and the Articles of Association, the Board of Directors shall give written feedback on agreeing or disagreeing to hold the extraordinary general meeting or class meeting within 10 days after receiving the written request.

The Shareholders of the Company shall follow the procedures as prescribed in Article 69 of the Articles of Association to propose new resolutions at general meetings. Pursuant to Article 69, when the Company convenes an annual general meeting, shareholders individually or jointly holding 3% or more of the total shares of the Company shall be entitled to propose new resolutions in writing to the Company and submit to the convener 10 days prior to the convening of the general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and announce the content of the interim proposals.

Procedures for raising enquiries

The Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong H Share registrar, Computershare Hong Kong Investor Services Limited, details of which are as follows:

Computershare Hong Kong Investor Services Limited

Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2865 0990/2529 6087

The Shareholders may at any time make any queries in respect of the Company at the following designated contacts, correspondence address, email address(es) and enquiry hotline(s) of the Company:

Attention: Deng Haoyu
Address: 22/F, Block B, CREGFenghui International, Donghu South Road, Yubei District, Chongqing, PRC
Email: ir@hjfruit.com
Tel: +86 023 6765 9778

The Shareholders are reminded to lodge their queries together with their detailed contact information for the prompt response of the Company if it deems appropriate.

Shareholders may put forward proposals at the general meetings to nominate a candidate for election as a Director. Articles 96 of the Articles of Association provides that the Directors shall be elected at the Shareholders' general meetings of the Company. Article 53 of the Articles of Association provides that the Shareholders (individually or jointly) holding 3% or more of the total issued shares of the Company carrying voting rights are entitled to forward proposal(s) at the general meetings by making a provisional motion in writing to the board of Directors 10 days before the date of Shareholders' general meeting. Accordingly, if a Shareholder intends to nominate a candidate for election as a Director, a notice of intention to nominate a candidate for election as a Director and a notice executed by the nominated candidate of his/her willingness to be appointed must be duly lodged at the registered office of the Company for the attention of the Company Secretary and the board of Directors:

Further details of the procedures for Shareholders to propose a person for election as a Director are posted on the website of the Company. Shareholders or the Company may also refer to the above procedures for putting forward any other proposals at general meetings.

CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company were effective on the Listing Date. Save as disclosed in this report, the Company has not made any changes to its Articles of Association from the Listing Date to December 31, 2022. The Articles of Association is available on the respective websites of the Company and the Stock Exchange.

DIRECTORS

Executive Directors

Mr. Deng Hongjiu (鄧洪九), aged 52, is the founder of our Group, and an executive Director of our Company and the Chairperson of the Board. Mr. Deng was an executive Director of our Company from October 2002 to April 2013, and has been the Chairperson of the Board since April 2013. Mr. Deng was also the general manager of the Company from October 2002 to January 2014. Mr. Deng is primarily responsible for the overall strategic planning of our Company and presiding over the Board affairs. Mr. Deng has nearly 35 years of extensive experience in the fruit industry.

Since March 2017 and up to the Latest Practicable Date, Mr. Deng served as the managing partner of each of Chongqing Hezhong and Chongqing Heli, responsible for providing advice on management. In addition, Mr. Deng has been serving as a supervisor of Chongqing Hongjiu Investment Management Co., Ltd. (重慶洪九投資管理有限公司) since October 2014; and the non-executive deputy chairman of Chongqing Liangjiang New Area Tongyi Small Loan Co., Ltd. (重慶兩江新區同誼小額貸款有限公司) since October 2013.

Mr. Deng completed his doctoral program of economics in Sichuan University (四川大學) in China in October 2014.

Mr. Deng is the spouse of Ms. Jiang Zongying and the uncle of Mr. Yang Junwen. Mr. Yang is an executive Director of our Company.

Ms. Jiang Zongying (江宗英), aged 51, is an executive Director and the general manager of our Company. Ms. Jiang was a Supervisor of our Company from October 2002 to April 2013, and has been a Director of our Company since April 2013. Ms. Jiang has been the general manager of our Company since January 2014 and is primarily responsible for overseeing the operations and management of our Company.

Ms. Jiang also has been serving as a supervisor of Chongqing Jiuxintai Commercial Co., Ltd. (重慶九欣泰商貿有限公司) since August 2014 and she was the legal representative and president of Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社) from September 2009 to December 2012 and from December 2018 to November 2021. Ms. Jiang has nearly 20 years of extensive experience in the fruit industry.

Ms. Jiang completed middle school education in China. Ms. Jiang is the spouse of Mr. Deng, an executive Director of our Company and the Chairperson of the Board and she is also the aunt of Mr. Yang Junwen, an executive Director of our Company.

Mr. Peng He (彭何), aged 52, is an executive Director and an executive deputy general manager of our Company. Mr. Peng has been a Director of our Company since June 2015. Mr. Peng served as the deputy general manager of our Group from June 2015 to December 2020 and has been serving as the executive deputy general manager of our Company since December 2020. Mr. Peng is primarily responsible for overseeing and managing the daily operation of our Company and the operation of various functional departments.

Prior to joining our Group, Mr. Peng served as the general manager at Chongqing Xindaxing Aijia Commercial Chain Co., Limited (重慶市新大興愛家商業連鎖有限公司) from February 1999 to June 2012, primarily responsible for business and operation management.

Mr. Peng completed advanced seminar courses on enterprise transformation and innovation (企業調整轉型管理創新高級研修班) from Tsinghua University (清華大學) in China in July 2011.

Mr. Yang Junwen (楊俊文), aged 49, is an executive Director and a deputy general manager of our Company. Mr. Yang has been a Director of our Company since October 2019 and a deputy general manager of our Company since May 2013. Mr. Yang is primarily responsible for channel development and strategic planning of the supermarket operations of our Company. Mr. Yang served as the general manager in the Chengdu branch of our Group from December 2005 to April 2013 where he was responsible for business development and management of our business in Chengdu.

Prior to joining our Group, Mr. Yang worked at China 18th Metallurgical Construction Company (中國第十八冶金建設公司) from August 1996 to December 2002; No. 2 Middle School affiliated with China 18th Metallurgical Construction Company (中國第十八冶金建設公司第二子弟中學) from March 2003 to October 2003; Chongqing Dadukou District Educational Service Commission (重慶市大渡口區教委教育服務中心) from November 2003 to May 2004; a teacher at Chongqing Commerce School (重慶商務學校) from June 2004 to October 2005.

Mr. Yang received his bachelor's degree in ideological and political education through correspondence program from Chongqing Normal University (重慶師範大學) in China in June 2003.

Mr. Yang is the nephew of Mr. Deng, an executive Director of our Company and the Chairperson of the Board and Ms. Jiang, an executive Director of our Company.

Ms. Tan Bo (譚波), aged 43, is an executive Director and a deputy general manager of our Company and the secretary of the Board. Ms. Tan has been a Director of our Company and the secretary of the Board since May 2013 and a deputy general manager since June 2016. Ms. Tan is primarily responsible for leading the work relating to financial management of our Company and its subsidiaries, financing and investors relations management and information disclosure.

Prior to joining our Group, Ms. Tan served as the financial manager of Chongqing Changfeng Machine Manufacturing Co., Ltd. (重慶長風機械製造有限責任公司) from February 2005 to April 2010 and was responsible for management of financial matters.

Ms. Tan is studying executive development programs at Southwestern University of Finance and Economics (西南財經大學). She is a junior accountant of the PRC as certified by Chongqing Finance Bureau (重慶市財政局) in September 2009 and holds a certificate of secretary of board of directors granted by the SZSE in October 2020.

Non-executive Directors

Mr. Xia Bei (夏蓓), aged 33, is a non-executive Director of our Company. Mr. Xia has been a Director of our Company since July 2020. Mr. Xia was an analyst at Goldman Sachs (Asia) L.L.C. (高盛(亞洲)有限責任公司) from August 2011 to May 2014; and an associate at Bain Capital Private Equity (Asia), LLC (貝恩投資私募股權(亞洲)有限責任公司) from July 2014 to August 2016. Mr. Xia has been an investment director at CMC (Shanghai) Equity Investment Management Co., Ltd. (華人文化(上海)股權投資管理有限公司) since September 2016.

Mr. Xia obtained his bachelor's degree in economics and finance from The University of Hong Kong in Hong Kong, China, in June 2011.

Mr. Dong Jiaxun (董佳訊), aged 49, is a non-executive Director of our Company. Mr. Dong has been a Director of our Company since July 2019. Mr. Dong served as a director at Guangxi Xinhua Early Childhood Education Investment Co. Ltd. (廣西新華幼兒教育投資有限公司) from September 2015 to May 2018, primarily responsible for strategic development and external investment; and a 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.

Mr. Dong obtained his bachelor's degree in engineering from Zhejiang University (浙江大學) in China in June 1994.

Mr. Chen Tongtong (陳彤彤), aged 43, is a non-executive Director of our Company. Mr. Chen has been a Director of our Company since September 2021. Mr. Chen served as a senior operation expert at the supply center of the website business division of the 1688 business group of Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ("Alibaba") from January 2017 to April 2017, primarily responsible for increasing multi-channel sales efficiency of the factories' goods by building a self-operated model; a researcher at the industry center of the Alibaba LST division of the B business group of Alibaba from April 2017 to December 2020, primarily responsible for improving the overall scale, growth and revenue capabilities of the Alibaba LST platform; a researcher at the C2M business division (special price page self-operated operations) of the B business group of Alibaba from December 2020 to February 2021, primarily responsible for the operations of the special price page direct sales stores; at the commodity operation research institute of Taocaicai (淘菜菜) of Alibaba from February 2021 until now, responsible for the scale and efficiency of national commodity operations; and also a researcher at Taocaicai of Alibaba from June 2021 until now, responsible for building a new digital, efficient distribution agriculture system. Before that, Mr. Chen worked at Huizhou TCL Mobile Communication Co., Ltd., Hangzhou Branch (惠州TCL移動通信有限公司杭州分公司) from November 2004 to July 2005 and work at Hefei Centimeter Information Technology Co., Ltd. (合肥厘米信息科技有限公司) from November 2015 to January 2017.

Mr. Chen graduated from Hefei University of Technology (合肥工業大學) in China in July 2000, majoring in measurement and control technology and instrumentation.

Independent Non-executive Directors

Ms. Xu Kemei (徐克美), aged 54, is an independent non-executive Director of our Company. Ms. Xu has been a Director of our Company since February 2023. Ms. Xu served as an accountant of Chongqing Iron and Steel (Group) Co., Ltd. (重慶鋼鐵(集團)有限公司) from September 1988 to January 1995; served as a certified public accountant and the department manager of Chongqing Tianjian Certified Public Accountants (重慶天健會計師事務所, formerly known as Chongqing Certified Public Accountants (重慶市會計師事務所)) from February 1995 to August 2001; served as the project manager of Zhongjingfu Certified Public Accountants (中京富會計師事務所) from September 2001 to April 2002; and has been the head of Chongqing Branch of Yongtuo Certified Public Accountants (Special General Partnership) (永拓會計師事務所(特殊普通合夥)重慶分所) since May 2002. She served as an independent director of Guangdong HEC Technology Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600673) from June 2002 to May 2008; served as an independent director of CPI Yuanda Environmental-Protection (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600292) from May 2015 to October 2019; served as an independent director of Zhubajie Co., Ltd. (豬八戒股份有限公司) from January 2019 to May 2022; has been an independent director of Guangdong Halo Microelectronics Co., Ltd. (廣東希荻微電子股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688173) since December 2020; and has been an independent director of Chongqing Runji Far East New Material Technology Co., Ltd. (重慶潤際遠東新材料科技股份有限公司) since September 2021.

Ms. Xu graduated from Chongqing Technology and Business University with a bachelor's degree in accounting in 1997 and obtained a postgraduate degree from the Graduate School of the Research Institute of the Ministry of Finance (財政部科研所研究生班) in 1999. Ms. Xu is currently a certified public accountant, a certified public valuer and a certified tax agent with extensive experience in accounting and auditing.

Ms. Liu Xiuqin (劉秀琴), aged 50, is an independent non-executive Director of our Company. Ms. Liu has been a Director of our Company 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 at various positions, including deputy general manager, secretary of the board, financial controller, director (since March 2011 and up to the Latest Practicable Date) and vice chairperson (since 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 general 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; the chairperson of the supervisory committee of Chongqing Fiber Research and Design Institute Co., Ltd. (重慶纖維研究設計院股份有限公司) 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) since June 2017 and is 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.

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 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 Shanghai Stock Exchange in November 2020.

Mr. An Rui (安銳), aged 47, is an independent non-executive Director of our Company. Mr. An has been a Director of our Company since July 2020. Mr. An worked as a project manager at Chongqing investment banking department of Southwest Securities Co., Limited (西南證券有限責任公司重慶投資銀行部) from June 2000 to December 2001; and worked at Shenwan Hongyuan Financing Services Co., Ltd. (申萬宏源證券承銷保薦有限責任公司) from April 2006 to October 2016. Mr. An has served as the general manager of Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司) since October 2016 and is responsible for private equity investment and management; and a director of Chongqing Haifu Medical Technology Co., Ltd. (重慶海扶醫療科技股份有限公司) since December 2019 and is responsible for overseeing and evaluating the work of internal and external auditors and internal control of the company as well as reviewing financial report of the company and expressing opinions on the report. He is currently a member of internal audit committee at Southwest Securities Co., Ltd. (西南證券股份有限公司) and is responsible for internal review of securities offerings.

Mr. An obtained his bachelor's degree in law from Southwest University of Political Science & Law (西南政法大學) in China in July 1997. He obtained his master's degree in law from Southwest University of Political Science & Law in June 2000. He subsequently received his doctoral degree in law from Southwest University of Political Science & Law in China in June 2012. Mr. An was a mid-level accountant certified by the Ministry of Human Resources and Social Security of the PRC and the Ministry of Finance of the PRC in September 2019. He also held a certificate of independent director granted by the Shenzhen Stock Exchange in June 2020 and a Chinese Lawyer Qualification Certificate granted by the Ministry of Justice of the PRC in July 1997.

Mr. Liu Anzhou (劉安洲), aged 36, is an independent non-executive Director of our Company. Mr. Liu has been a Director of our Company since September 2021. Mr. Liu worked as a senior associate at Deloitte Touche Tohmatsu in Hong Kong from October 2009 to November 2013 and was responsible for auditing the financial statements of listed companies; served as a vice president at Sailing Capital Advisors (HK) Limited (賽領投資顧問(香港)有限公司) from December 2013 to August 2016; served as a vice president of the investment department at Gold Stone Investment Co., Ltd. (金石投資有限公司) from August 2016 to November 2017; and served as the director of investment department of GSUM Real Estate Fund Management Co., Ltd. (中聯前源不動產基金管理有限公司) from December 2017 to September 2021. He has been serving as a vice president of China Merchant Bank International Financial Holding (Shenzhen) Ltd. (招銀國際金融控股(深圳)有限公司) since October 2021.

Mr. Liu obtained his bachelor's degree in economics and finance from The University of Hong Kong in July 2009. He was a PRC Certified Public Accountant (CPA) certified by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2014.

SUPERVISORS

Ms. Yu Lixia (余利霞), aged 34, is the chairperson of our Supervisory Committee of the Company. Ms. Yu has been a Supervisor of our Company since December 2018. Ms. Yu served as an assistant to the chairperson of the Board of our Company from August 2017 to May 2018, and has been serving as the deputy director and the director of the administrative center of our Company since May 2018 and December 2022, respectively.

Prior to joining our Group, Ms. Yu worked as a salesperson in Chongqing Green Agricultural Products Co., Ltd. (重慶綠果農產品有限公司) (now known as Chongqing Green Commerce Co., Ltd. (重慶綠果香商貿有限公司)) from October 2009 to November 2012; and the legal representative and president of Chongqing Changshou District Jiuwu Fruit Cooperative (重慶市長壽區九五水果專業合作社) (currently known as Chongqing Changshou District Jiuwu Agricultural-Breeding Cooperative (重慶市長壽區九五種養殖專業合作社)) from December 2012 to December 2018.

Ms. Yu obtained her college degree (大專文憑) in computer science from Chongqing University of Posts and Telecommunications (重慶郵電大學) in China in July 2010.

Mr. Huang Hua (黃華), aged 42, is a Supervisor of our Company. Mr. Huang has served as a Supervisor of our Company since December 2018. Mr. Huang has been serving as the deputy director of the planning division of corporate planning center of our Company since June 2017, and has been serving as the director of corporate planning center of our Company since December 2022. He also served as the deputy general manager of Chengdu branch of our Company from April 2017 to May 2017, and was in charge of management of operations.

Prior to joining our Group, Mr. Huang worked as the manager of the human resources and administration department of Chongqing Green Agricultural Products Co., Ltd. (now known as Chongqing Green Commerce Co., Ltd.) from August 2014 to March 2017, and was responsible for operations of the department.

Mr. Huang obtained his college degree (大專文憑) in traditional Chinese medicine from Chengdu University of Traditional Chinese Medicine (成都中醫藥大學) in China in June 2005.

Mr. Wu Di (吳迪), aged 40, is a Supervisor of our Company. Mr. Wu has served as a Supervisor since December 2020. Prior to joining our 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; and at Hainan Financial Holdings Co., Ltd. (海南金融控股股份有限公司) from July 2016 to April 2017. He has been serving as the person in charge of compliance and risk management of Hainan Nongken Equity Investment Fund Management Co., Ltd. (海南農墾基金管理有限公司) since July 2017.

Mr. Wu obtained his bachelor's degree in computer science from The Army Infantry Academy of People's Liberation Army (中國人民解放軍石家莊機械化步兵學院) in China in June 2005 and obtained his bachelor's degree in law through self-taught higher education examinations from Nanjing Army Command College of People's Liberation Army (中國人民解放軍南京陸軍指揮學院) in China in June 2006. He held a qualification certificate of securities industry practitioner granted by the Securities Association of China (中國證券業協會) in June 2015 and a certificate of independent director granted by the SZSE in April 2019. He also completed the Science and Technology Innovation Board of Shanghai Stock Exchange independent director video course study in November 2019.

Mr. Deng Yinmei (鄧銀美), aged 50, is an employee representative Supervisor of our Company. Mr. Deng has served as a Supervisor of our Company since November 2018. He is primarily responsible for supervising the financial matters, the directors and senior management of our Company. Mr. Deng has served as the deputy director of the operations management department of our Company since April 2015 and is responsible for its daily management and operation.

Prior to joining our Group, Mr. Deng worked at Chongqing Xiaokang Automobile Transmission Co., Ltd. (重慶小康汽車變速器有限公司) from December 2013 to September 2014.

Mr. Deng obtained his college degree (大專文憑) in enterprise management from Hunan Huangpu Foreign College (湖南黃埔外語學院) in China in April 1998.

Mr. Chen Xiangzeng (陳向曾), aged 40, is an employee representative Supervisor of our Company. Mr. Chen has served as a Supervisor of our Company since July 2019. Mr. Chen served as a manager of the enterprise planning department of our Company from August 2015 to January 2017. He has been serving as the deputy director of the planning and operating department of our Company since January 2017 and is responsible for its daily management.

Prior to joining our Group, Mr. Chen worked at Chongqing Xindaxing Industry (Group) Co., Ltd. (重慶市新大興實業(集團)有限公司) from March 2004 to May 2005.

Mr. Chen obtained his diploma (中專文憑) in land management from Fuling Agricultural School (涪陵農校) in China in June 2001.

SENIOR MANAGEMENT

Ms. Jiang Zongying (江宗英), aged 51, is an executive Director and the general manager of our Company. For the biography of Ms. Jiang, please refer to "－Directors — Executive Directors" of this section.

Mr. Peng He (彭何), aged 52, is an executive Director and an executive deputy general manager of our Company. For the biography of Mr. Peng, please refer to "－Directors — Executive Directors" of this section.

Mr. Yang Junwen (楊俊文), aged 49, is an executive Director and a deputy general manager of our Company. For the biography of Mr. Yang, please refer to "－Directors — Executive Directors" of this section.

Ms. Tan Bo (譚波), aged 43, is an executive Director, a deputy general manager of our Company and the secretary to the Board. For the biography of Ms. Tan, please refer to "－Directors — Executive Directors" of this section.

Ms. Xiang Min (向敏), aged 52, is the Chief Financial Officer of our Company. Ms. Xiang was the deputy chief financial officer of our Company from March 2016 to May 2018, and has been the chief financial officer of our Company since May 2018.

Prior to joining our Group, Ms. Xiang worked at Chongqing Guanshengyuan Food Manufacturing Co., Ltd. (重慶冠生園食品工業有限公司) from December 2003 to November 2007; at Chongqing Tiansheng Yudu Real Estate Consulting Co., Ltd. (重慶天晟渝都房地產顧問有限公司) from December 2007 to July 2010 and from January 2011 to March 2016.

Ms. Xiang obtained her bachelor's degree in accounting from Yuzhou University (渝州大學) in China in July 1995. She holds a junior accountant certificate granted by Chongqing High & New Technology Industry Development Zone Finance Bureau (重慶高新技術產業開發區財政局) in August 2005.

ABOUT THIS REPORT

Introduction to the Report

This is the first Environmental, Social and Governance (the "ESG") Report (this "Report") issued by Chongqing Hongjiu Fruit Co., Limited ("Hongjiu Fruit", "we" or the "Group"). This Report presents the ESG practices of the Group in fulfilling environmental and social responsibilities in 2022.

Scope of the Report

This Report is an annual report covering the period from January 1 to December 31, 2022. To enhance the readability of this Report, some of the content or data refer to previous or subsequent years.

The reporting scope of this Report includes Chongqing Hongjiu Fruit Co., Limited and its controlled subsidiaries. Unless otherwise specified, its policies, statements or data cover all businesses of the Group with the same calibers as the annual report of the Group.

Data Description of the Report

All the data and cases used in the Report are from the internal documents of the Group and its controlled subsidiaries, statistical reports and summaries and statistics of the fulfillment of relevant responsibilities.

Basis of Preparation

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Reporting Principles

This Report was prepared in accordance with the following reporting principles:

- Materiality: A materiality assessment was conducted to identify material ESG issues, which are disclosed in the ESG Report;

- Quantitative: Quantitative information on environmental and social areas is presented in the ESG Report, accompanied by a narrative, explaining its purpose and impacts;

- Consistency: This Report is our first ESG Report. We will use consistent methodologies to disclose ESG information in subsequent years, in a bid to allow for meaningful year-to-year comparisons.

Access and Response to this Report

This Report is available online in both Chinese and English. All stakeholders can access this Report on the website of the Stock Exchange (www.hkexnews.hk). In case of any discrepancy, the Chinese version shall prevail. If you have any comments or suggestions on this Report or the ESG performance of the Group, please send us an email to ir@hjfruit.com.

BOARD STATEMENT

The Board and all directors of the Group guarantee that there are no false records, misleading statements or material omissions contained in this Report. The Board of the Group undertakes the final responsibility on the ESG management, considers ESG issues as part of the formulation of its strategies and attaches great importance to the combination of the strategies and ESG targets of the Group.

The Board is also responsible for the overall risk management and internal control systems of the Group and for reviewing its effectiveness, which also covers the ESG-related risks to the Group's business. Risk management framework is in place to provide a consistent approach on the risk management processes, including identification, assessment, treatment and reporting of the potential risks identified affecting the key business operation of the Group.

During the Reporting Period, the ESG team of the Group assisted the Board in the evaluation of material ESG-related risks and opportunities to the Group's business and formulated ESG policies and strategies on potential risks and opportunities with material impacts. With the assistance of the ESG team, the Board monitored the progress in the implementation of ESG-related work plans/measures and reviewed procedures on ESG-related targets and guidelines.

For the materiality assessment process, please refer to the section headed "Materiality Assessment" in this Report. Through the materiality assessment process, the Board can have better understanding the degree of importance to each ESG issue and would enable the Group to plan its sustainable development direction more comprehensively.

SUSTAINABLE DEVELOPMENT MANAGEMENT

ESG Governance

With the high-quality development as the focus, the Group is committed to the long-term development in a sustainable manner. The Group seeks to embed sustainable practices in its everyday operations and align sustainability goals with the Group's overall strategic direction. The Group has established an ESG governance structure to assist the Board of the Company in supervising the ESG-related matters:

- The Board is the highest decision-making body for the Company's ESG work. It is responsible for the formulation of the Group's overall ESG vision, target and strategy, reviewing our ESG policies each year to ensure their effectiveness and cultivating a culture of acting in compliance with core ESG values and principles;

- The Company has established an ESG team led by the chief executive officer and comprising the Board office, the human resources center, the administrative center, the finance center, the legal affairs center, the supply chain management center and other functional departments. As the management and coordination institute on the ESG work of the Company, the ESG team is responsible for leading the Company's ESG work, establishing and improving the management system and operation mechanism on the Company's ESG work and promoting the combination of the Company's development strategies, image, brand and operation with the concept on the ESG work.

Communications with Stakeholders

The Group attaches great importance to communications with all stakeholders and actively establishes platforms for good internal and external communications. We pay attention to stakeholders' concerns and increasingly improve corporate management to better respond to their expectations and create value for all stakeholders.

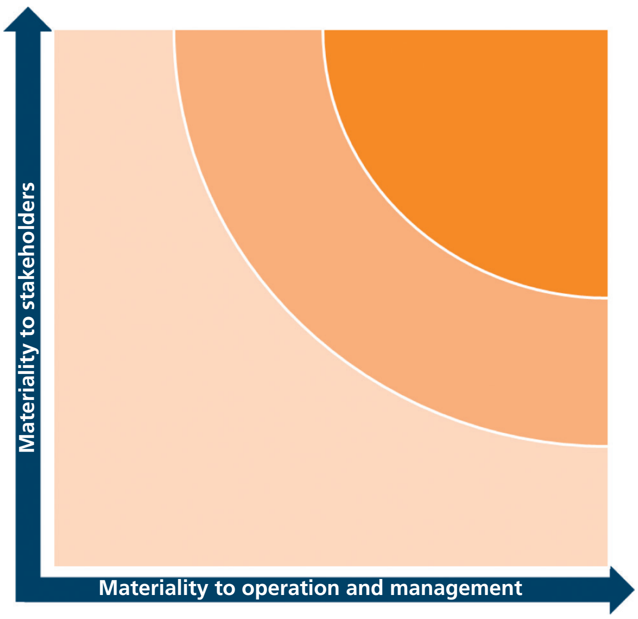
Stakeholders	Stakeholders' Expectations	Communication and Participation Mechanisms	Corporate Response
Investors	Improvement of market value and profitability Protection of shareholders' interests Standard corporate governance Accurate information disclosure Smooth communications with investors Improvement of ESG performance	Regular and temporary announcements The Company's website, new media platform, telephone, fax and email General meetings, investor presentations, roadshows, analyst meetings, reception of visitors and symposiums	Truthful and sufficient information disclosure Improving performance and creating profit Diversified communication channels with investors Improving performance on ESG work
Consumers	Product quality assurance Improvement of customer services Protection of customers' interests	Communications in service processes Diversified after-sales channels Surveys on customer satisfaction	Guaranteeing product quality Improving service quality Improving after-sales service processes Innovating service measures

Stakeholders	Stakeholders' Expectations	Communication and Participation Mechanisms	Corporate Response
Employees	Remuneration and welfare assurance Excellent working environment Complete communications mechanism Employee growth and development	Labor contract Trade union, staff representative assembly Symposiums, visits	Improving remuneration and welfare guarantee systems Improving the system of staff representative assembly Providing occupational development channels Carrying out diversified staff trainings Organizing various staff activities Creating a healthy and safe working environment
Partners	Integrity and mutual benefits Maintaining sound long-term partnership Compliance with business ethics Promoting sustainable development of supply chains	Routine business communications Business interviews and negotiations Correspondence through files and letters Procurement activities Industry forums and meetings	Performing contracts and agreements in accordance with laws Open and fair tenders Adhering to open and transparent business principles and processes
Community	Joint construction of community civilization Supporting public welfare causes Focus on community development	Field inspections Public welfare activities Assistance work Voluntary services	Actively participating in public welfare activities Implementing assistance programs Supporting community development Advocating green development
Government or regulatory authorities	Compliance with disciplines and laws Compliance operation Promoting economic development	Trainings and meetings Routine communications and information reporting Documents and notices Government-enterprise cooperation and communications	Complying with laws and requirements of policies Disclosing relevant information based on requirements Promoting local economic development Solving local employment
Industry associations	Promoting industry development	Routine communications Documents and notices Meetings and activities of associations	Performing responsibilities of members Participating meetings and activities of associations Sharing industry experience

Materiality Assessment

In 2022, the Group has evaluated the materiality in ESG aspects through the process of (1) identification of ESG topics by reference to the industry benchmarking and the Reporting Guide; (2) prioritization of ESG topics through questionnaires and the discussions with the management and employees of the Company; and (3) in combination with the strategies and business principles. The management reviewed the preliminary assessment results of the prioritization of ESG topics and comprehensively analyzed material ESG topics to the operations management and stakeholders and the prioritization.

The Group's materiality matrix on ESG topics for 2022 is as follows:



Very high materiality

- Food health and safety
- Customer relationship management
- Business ethics
- Protection of employee rights and interests and anti-discrimination
- Information security and privacy protection
- Occupational health and safety
- Development and training
- ESG Management of Supply Chain
- Energy saving and efficient utilization

High materiality

- Equality in employment
- Water resources
- Intellectual property protection and scientific and technological innovation
- Wastewater emission
- Use of packaging materials
- Waste discharge management

Correlation

- Employment standards
- Greenhouse gas emission
- Impact on the environment and natural resources
- Air pollutant emission
- Responding to climate change
- Corporate citizen and charity

1. COMPLIANCE OPERATION

1.1 Compliance with Business Ethics

The Group recognizes the importance of honesty, integrity and fairness to the continuous business operation and always adheres to the operation philosophy of corporate governance in accordance with laws, honesty and trustworthiness. The Group strictly abides by the Anti-Monopoly Law of the People's Republic of China (《中華人民共和國反壟斷法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations and formulated the Anti-Fraud and Whistle-Blowing System (《反舞弊與舉報制度》), the Statements on Integrity (《廉潔聲明》) and other management systems. The Group carries out trainings and routine publicity on anti-corruption among all employees and ensures the popularization of the operation philosophy of integrity within the Group. In 2022, the Group organized integrity training named the Anti-Fraud Publicity for directors and all employees and enhanced the awareness on integrity risk of all employees of the Group from the top to the bottom.

We identified that the procurement process is exposed to high frequency of commercial briberies. For employees above the level of procurement managers, we require them to sign the Letter of Undertaking on Integrity in Business Exploration and follows it. During the cooperation with suppliers, the Group signs the Letter of Undertaking on Anti-Commercial Briberies with all suppliers as an attachment to the contracts.

The Group sets up a hotline and email for supervision on integrity. Employees at all levels and all parties with direct or indirect economic relationship with companies within the Group can report relevant information through the channel. Investigators are strictly prohibited to disclose any information on the whistle-blower.

During the Reporting Period, the Group recorded no corruption or no serious violations of relevant laws and regulations on bribery, extortion, fraud and money laundering.

1.2 Information Security and Privacy Protection

The Group attached importance to corporate information security and the protection of customer privacy. In strict compliance with the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) and other laws and regulations, the Group formulated the Management System on Information and Network Safety of the Company (《公司信息網絡安全管理制度》), the Management Rules on Safety of Users, Authority and Operation of Information Systems (《信息系統用戶、權限、操作安全管理規定》) and other systems on data compliance and confidentiality, and established a unified security protection system (including dual internal and external protection systems), a unified security early warning system (including timely early warning of situation awareness, trace to source and monitor) and an emergency response system, ensuring the orderly development of the Group's business. The Group has established an information center, and regularly organized trainings on professional knowledge and skills for its staff to adapt to the development of information security technology.

The Group enters into the Letter of Undertaking on Confidentiality by Employees and the Agreement on the Protection of Intellectual Property Rights with all employees and carries out relevant trainings on information safety and privacy protection for senior management and staff of the Board office, the finance center, the legal affairs center and other core positions.

During the Reporting Period, the Group recorded no safety accidents on customer privacy and data security.

Case: Regulating activities to guarantee information security of the enterprise

On April 7, 2022, in order to enhance the awareness of employees on information security and regulate the operational behaviors of employees, the information center of the Group conducted detailed interpretations and interactions on the safety of office and online behaviors, the protection of document information and office computers as well as specific matters on information security risks, network security traps, document management and password setting in the routine office of employees.

2. SUSTAINABLE SUPPLY CHAINS

2.1 Integrating Production, Transportation and Distribution and Achieving Digital Operation of all Business Links

After years of unremitting efforts, the global supply chain management system "HJ Star Bridge" independently developed by Hongjiu Fruit realized digital and integrated management and control on all business links of "procurement, transportation and distribution". It not only significantly improved the management efficiency of business links but also achieved data-driven business decision mechanism, laying a solid foundation for further development of a one-stop industrial online platform for the fresh fruit industry.

HJ Star Bridge can carry out efficient supervision, transition and analysis on large amounts of data, visually and textually on a real-time basis. It can access status on fruit products during the transportation, the offline logistics infrastructure, prevailing marketing and sales conditions and specific demands of cooperating third parties. Parties along the supply chain can connect to the platform through their mobile apps and achieve efficient communications and information sharing. HJ Star Bridge system is an integrated digitalized management system comprising multiple modules and covering the entire supply chain system of the Group. Specifically, the functions of the HJ Star Bridge system are as follows:

	Advantages
Procurement	• Assisting the Group in developing a more precise procurement plan through the data analysis on pricing, quality and transportation of various fruits; • Through integrating orchards into the supply chain management of the Group, it not only solves the pain point of difficulties in connecting orchards and growers but also provides orchards with sales forecasts, facilitating them to make production plans. Orchards can benefit from more predicable income and it also ensures a secure and stable supply in the supply chain of the Group; • With information covering all suppliers in China, Thailand and Vietnam, it achieves information sharing with partners in key sectors of the supply chain.
Transportation	• Achieving real-time vehicle and product tracking, including route deviation, container quantity, fruit quality change, container temperatures, logistics trajectories, customs clearance processes and other information, and ensuring that the Group can have a comprehensive view of each key stage of the transportation process of our containers for fruits procured from Thailand and Vietnam; • Providing the Company with reference for decision-making in relation to port selection, fruit assessment and grading, logistics route planning, shipping arrangements, customs clearance processes, and sales region selection; • Identifying and responding to any abnormalities that occur during transit through timely human intervention, thereby lowering the loss rate and improving overall supply chain management efficiency.
Distribution	• Adjusting the pricing strategy suitable for different sales channels through continuous analysis on sale prices as well as the supply and demand of fruit in different regions; • Through analyzing regional customer preferences, inventory levels, and market trends in each sales region, we can compare horizontally and form an optimal dispatching plan for each container of our fruit products in different sales regions; • We analyze our sales to identify appropriate fruit for branding and place pre-orders at orchards in due course.

HJ Star Bridge digital supply chain system

In 2022, our loss rate was 0.93%, representing a decrease from 1.3% in 2021 and maintaining a leading level in the industry.

2.2 Strict Access and Stable Supply

The Group considers suppliers as key partners in promoting the sustainable development of the industry together and is devoted to reaching a consensus with all suppliers. The suppliers of the Group include: orchards, logistics service providers, processing plants and suppliers of packaging materials and office items. As of December 31, 2022, the number of suppliers of the Group by region is set out in the table below.

Indicator	2022
Suppliers in the PRC	1,375
Overseas suppliers	2,444

The Group formulated the Management Measures for Procurement (《採購管理辦法》), the Procedures for Procurement Control (《採購控制程序》), the Management Measures for Suppliers (《供方管理辦法》) and other procurement systems. The Group set up the Directory of Qualified Suppliers with the supply chain management center conducting coordination and management through digital systems. In the access process of suppliers, in addition to reviewing their relevant qualification certificates, the Group also requires suppliers to fill in the Safety Checklist for Business Partners and reviews their compliance with laws, workplace safety and personnel safety. For suppliers of packaging materials, the Group also reviews their relevant qualification certificates on food packages, product category, production capacity and quality conditions. For orchards, it also requires them to provide test reports on pesticide residue and records relevant information in the Evaluation and Review Table on Suppliers.

We carry out evaluation and grading on suppliers each year. For instance, the Group conducts hierarchical management on logistics service providers based on national and port-level dimensions. The contents of evaluation include: the regional arrival rate, the occurrence rate of abnormal problems, prevention and rectification measures and other key information. The Group will terminate collaboration with suppliers who fail to meet its requirements on suppliers.

As of the end of 2022, the Group had a total of 18 logistics service providers, including 4 national providers and 14 port-level providers.

2.3 Green Procurement and Extension of Responsibilities

The fruit industry where the Group operates is closely related to green development and we always pursue superior fresh fruits. In terms of ESG management, the Group requires suppliers to provide the relevant qualification certificates in the access process of suppliers, explicitly requires suppliers to prohibit the employment of child labors and forced labors and bans enterprises in the environmental protection blacklist from entering the supplier base. It also requires suppliers to ensure the staff remuneration in compliance with local requirements, offer safe production and working environment to employees and provide the letter of undertaking on anti-terrorism. The Group also conducts site visits to fruit suppliers.

The Group discharges pollutants to the environment and consumes energy in the transportation of fruit. As a result, the Group is highly concerned about the environmental protection behaviors of logistics service providers in the operation process. The Group advocates logistics service providers to adopt transportation equipment with LNG/clean energy in transportation. During the transportation and customs clearance depot, the Group advocates suppliers to adopt electricity and replace diesel in providing energy to refrigerators (the "refrigerating with electricity") and requires its branches to strictly implementing the refrigerating with electricity and carry out supervision and inspection in wholesale markets. Based on tracking and understanding, suppliers providing the transportation of lychees for the Group have put electric transportation equipment into operation.

In terms of supervision on prohibiting the employment of child labors by logistics service providers, the Group requires suppliers to provide the identity information of drivers before undertaking transportation, takes photos for the drivers in front of trucks and keeps the photos. For customs clearance, it also requires the entrusted party to provide the identity information for filing.

To promote the common growth of suppliers with the Group, we also provide guidance and share know-how with suppliers, including advanced plantation techniques such as flower induction, fruit thinning and picking. In 2022, the Group provided online trainings on professional technologies for all logistics service providers on the supply chain system HJ Star Bridge. The contents of trainings covered filling and input of the system, tender, transportation data, setting of temperature control, acceptance at destination, empty containers at destination and other dimensions. It facilitated partners to better understand the supply chain management systems of the Group and jointly promote the sustainable and steady development of the industry.

3. PRODUCT LIABILITY

3.1 Striving for Excellent in Quality Management

The Group attaches great importance to food safety and quality control, which is of paramount importance in maintaining our outstanding reputation in the market. In strict compliance with the Agricultural Product Quality and Safety Law of the People's Republic of China (《中華人民共和國農產品質量安全法》), the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), the Food Act (Thailand) (《食品法》(泰國)), the Food Safety Act (Vietnam) (《食品安全法》(越南)), the National Food Safety Standard – Maximum Residue Limits for Pesticides in Food (《食品安全國家標準食品中農藥最大殘留限量》) (GB2763-2021) and other laws, regulations and rules of the places where it operates, the Group formulated the Management Measures for Food Safety (《食品安全管理辦法》), the Measures for Quality Control (《質量控制辦法》), the Measures for Quality Assessment (《質量考核辦法》) and other quality management systems and obtained the authentication certificate under the ISO9001 Quality Management System. In 2022, the Group had not encountered any material food safety incidents and had not experienced any product liability claims.

Source Control

- ➢ Ensuring the health of employees and firmly holding the fruit safety barrier;
- ➢ Carrying out strict and standard daily operation, such as cleaning sorting places and testing the temperature each day;
- ➢ Setting grading standards for different fruit and making the non-standardized fruit measurable;
- ➢ Conducting spot checking on pesticide residue by batches, requiring suppliers to exert stringent control over pesticide use in supply and tracking and reporting test results on pesticide and heavy metal residue for every batch of fruit;
- ➢ Integrating quality targets into the performance management of quality examination staff and achieving the traceability of responsibility.

For the production process, the Company formulated strict supervision systems and achieved the traceability of responsibility on abnormal quality. It set out quality targets for quality examination staff, established a reward and punishment mechanism and implemented reward and punishment based on the monthly quality conditions.

Process Control

The fruits procured by the Group will go through standardized processing and logistics transportation from the places of origin to customers. The Group pre-considers the risk points during logistics and transportation when grading fruits at the processing plant and formulating standard procedures for fruit processing. In the operation end, the Group requires all employees to undertake annual physical examinations and obtain the physical examination certificate. It prohibits employees infected with diseases from having direct contact with fruits. Frontline production staff shall wear masks, working caps and gloves. Sorting places are divided for cleaning and platform scales, assembly line, working tables and other places having direct contact with fruits are cleaned each day. Prior to dispatch, we check the temperature of the processing plant and the container's condition and conduct sampling inspections of stored fruits on a daily basis, so as to minimize the loss rate and ensure the quality and freshness of the fruit products.

To prevent any quality issues with the Group's products occurring during transportation, we developed detailed technical criteria to closely track and monitor the performance of third-party logistics service providers, taking into account the disparate characteristics of fruit. Through GPS, data loggers and IoT sensors, we closely monitor the temperature condition of our fruit containers and receive early warning of potential disruptions, thereby enhancing control over the transportation process. The Group has formulated quality control standards on the whole process covering delivery from factories to arrival at all domestic places.

3.2 Optimizing Services and Responding in Time

The customers of the Group include wholesalers, emerging retailers, supermarkets and direct sales customers. In strict compliance with the Law on the Protection of Consumer Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法》) and other laws and regulations, the Group formulated the Customer Management Measures (《客戶管理辦法》), the Management Procedures for Customer Satisfaction and Complaints (《顧客滿意和投訴管理程序》) and other management systems to standardize the services for corporate customers and lay a systematic foundation for providing high-quality services. As major customers of the Group are corporate customers and there are few individual customers, the management of customer complaints is directly solved between the sales center and corporate customers.

The sales center of the Group is responsible for carrying out customer satisfaction surveys, accepting customer complaints, recording complaints and offering plans for handling complaints. Meanwhile, the Group established a leading group on emergency handling of customer complaints and all departments arranged special groups and responsible persons for accepting customer complaints to ensure smooth channels for customer complaints, handling in time, accurate statistics and truthful feedbacks. The Group implements the principle of first inquiry responsibility system with the responsible person of the sales center as the first responsible person for handling customer complaints. It also links the responsibility on complaints and customer satisfaction on replies with the performance to enhance the awareness on customer services.

The Group smoothens channels for communications with customers. Customers can offer feedbacks on services provided by the Group through functional departments for handover, the administrative department of the headquarters, the official website and platform, the telephone of the Company, responsible leaders and other channels. After accepting customer complaints or receiving the complaints or cases for handling forwarded by superior departments, all functional departments shall designate relevant handling personnel to arrive at the site within 2 hours, reply customers on the handling within 4 hours and report the handling results to the working group on complaint handling of the department of the same level within 8 hours. For customer complaints cannot be handled by the department of the same level or those with serious conditions, they shall be reported to the administrative department of the headquarters at any time.

In terms of regulating actions on handling customer complaints, the Group specifies that when customers require further explanations on product test results (without clear doubts on the test quality) or are unsatisfied with the service attitude or product quality, the Group shall reply in time and keep the Records of Customer Complaints. Meanwhile, the Group formulated the Control Procedures on Rectification and Prevention Measures《糾正預防措施控制程序》, providing normative support to the formulation of plans on complaint handling.

The Group conducts surveys on customer satisfaction through filling survey questionnaires, visits, symposiums and other means and the contents of surveys include the services and products provided by the Group. In 2022, the Group conducted satisfaction surveys on a total of 100 customers with a satisfaction rate of up to 4.96 (with a full score of 5).

3.3 Protection of Intellectual Property Rights Driven by Innovation

Based on the principal business of the Group, we attach great importance to R&D and technological innovation in fruit preservation and quality improvement:

Fruit preservation techniques: We develop preservation techniques across fruit categories based on their attributes. For instance, by placing longan in holed boxes under airtight environment, the Group applies the physical method of fumigation for disinfection under specified dose in accordance with storage and transportation time and quantity to extend the shelf life and maintain the original color of longan at harvest. Other preservation techniques include adjusting temperature based on ripeness and attributes for various fruit during transit and in the warehouses.

The Group attaches great importance to the protection of its own intellectual property rights and regulates its own operating activities to ensure no infringement of others' intellectual property rights. In strict compliance with the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) and other national laws and regulations, the Group requires the use of genuine software in all information systems, strengthens the management on versions of software and prioritize the use of software and hardware products with proprietary intellectual property rights; actively develops information systems and relevant financial products with proprietary intellectual property rights and adopts effective measures to protect the informatization achievements, including the filing of intellectual property rights in time. The Group formulated management procedures on safeguarding interests with the contents covering procedures for safeguarding interests, methods for evidence collection and evidence to be collected. It also prepared training courses on "infringement and safeguarding management on intellectual property rights" to enhance the awareness of all employees on the protection and safeguarding of interests in intellectual property rights.

The Group strictly abides by the Anti-Unfair Competition Law of the People's Republic of China, the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and other laws and regulations and prohibits confusion among consumers in terms of the design of packaging. The Group formulated the User Specifications on VI Systems of Hongjiu Fruit (《洪九果品 VI 體系使用規範》), the VI User Specifications on Hongjiu Taihaochi Old Tree Longan Brand (《洪九泰好吃老樹龍眼品牌 VI 使用規範》), the VI User Specifications on Yuelaimei Dragon Fruit Brand (《越來美火龍果品牌 VI 使用規範》), the VI User Specifications on Fengshanghao Brand (《奉上好品牌 VI 使用規範》) and other management systems to further regulate the use of the trademarks and graphics of the Group. In 2022, the Group recorded no serious violation of laws and regulations in advertisement and product publicity.

As of the end of 2022, the Group had 207 registered trademarks, 3 patents (including 2 design patents and 1 utility model patent), 22 copyrights on art works, 3 software copyrights and 3 domain names. During the Reporting Period, there were no complaints on infringement of intellectual property rights against the Group.

4. PEOPLE ORIENTATION

4.1 Employment and Staff Welfare

The Group considers employees as precious wealth in the sustainable development of the Company and always adheres to the "people-oriented" management concept and the management principle of honesty, trustworthiness, fairness and impartiality. The Group strictly complies with the Labor Law of the People's Republic of China《中華人民共和國勞動法》, the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labor Act (Vietnam) (《勞動法》(越南)) and other laws and regulations of the places where it operates, formulated the Management Measures for Human Resources (《人力資源管理辦法》), the Procedures for Human Resources Control (《人力資源管理控制程序》) and other management systems and provides all employees with a safe and healthy working environment as well as equal opportunities in recruitment, promotion, compensation and welfare to fully safeguard employees' rights and interests. During the Reporting Period, the Group strictly performed the obligations as an employer, including the payment and offering of salaries, holidays, compensations, insurance and welfare and was not involved in any employment-related violations of laws and regulations with a material impact on the Group.

Recruitment Management

The Group formulated the Management Systems on Recruitment and Employment of Employees (《員工招聘錄用管理制度》) and established a comprehensive employee recruitment system. It carries out the recruitment of employees through on-campus recruitment, job fairs, recruitment agencies, online recruitment platforms and other means and enters into labor contracts with employees in accordance with laws to fully safeguard the legitimate rights and interests of employees. The Group formulates employment standards based on actual needs of positions and adheres to the employment principle of selecting talents based on their capability. It respects differences, encourages diversity, forbids all forms of discriminations and sets no restrictive requirements on age, gender, ethnic groups or religious belief to ensure fair, impartial and open recruitment.

Labor Standards

The Group specifies in the management systems on employees that it shall not employ those under the age of 18 and strictly verifies the identity information of applicants in the recruitment process and maintains standard records. The Group specifies management requirements on working hours, work overtime and days off for employees in the Management Measures on Attendance 《考勤管理辦法》 with the Human Resources Department responsible for coordination and management and strictly prohibits forcing employees to work. In 2022, the Group entered into contracts with 100% of its full-time employees. The Group was not involved in the employment of child labors, forced labors or other violations of laws and regulations on recruitment and labor standards.

Departure Management

The Group respects the right of employees to choose work freely. For employees applied for departure, the Group assists them in handling departure procedures and salary settlement in accordance with the requirements and procedures under labor laws and regulations. The Group will not restrict the right of employees to choose new work for any reasons and through any means.

Holidays and Welfare

The Group strictly implements regulations on statutory holidays and provides employees with sick leaves, marriage leaves, maternity leaves and other leaves. For female employees, the Group also provides breastfeeding leaves. For employees in overseas offices, the Group offers leaves for family reunion and subsidizes transportation fees.

The Group strictly complies with the Social Insurance Law of the People's Republic of China 《中華人民共和國社會保險法》, the Administrative Regulations on the Housing Provident Fund 《住房公積金管理條例》 and other laws and regulations and makes contributions to social insurance, work injury insurance, medical insurance, unemployment insurance, maternity insurance, housing provident fund and other statutory welfare. In addition, the Group provides employees with working meals, dormitory, birthday gifts, holiday gifts and other welfare.

As of the end of 2022, the Group had a total of 2,607 employees and all of them are full-time employees. The number of employees and the turnover rate by gender, age and region are set out in the table below:

Indicator	**2022**
Number of male employees (person)	1,075
Number of female employees (person)	1,532
Number of employees in China (person)	2,250
Number of overseas employees (person)	357
Number of employees aged 30 and below (person)	1,019
Number of employees aged 31-50 (person)	1,337
Number of employees aged above 50 (person)	251
Turnover rate of male employees (%)	20.9
Turnover rate of female employees (%)	24.2
Turnover rate of employees in China (%)	24.0
Turnover rate of overseas employees (%)	15.7
Turnover rate of employees aged 30 and below (%)	13.9
Turnover rate of employees aged 31-50 (%)	21.6
Turnover rate of employees aged above 50 (%)	65.7
Turnover rate of management personnel (%)	7.0
Turnover rate of non-management personnel (%)	26.7

Note 1: The formula for the calculation of the turnover rate is: the number of departures of the category in the year/the total number of employees of the category as of the end of the period.

Note 2: The management staff is defined as employees at or above the manager level while the non-management staff is defined as employees at or below the supervisor level.

4.2 Occupational Health and Safety

Providing a safe, comfortable and cozy office environment for employees is the fundamental guarantee for the Group to achieve common growth with employees. The Group strictly complies with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Labor Safety and Health Act (Vietnam) (《勞動安全衛生法》(越南)) and other laws, regulations and rules of the places where it operates and formulated the "6S" Management Measures (《"6S"管理辦法》), covering the management on sort, set in order, shine, standardize, sustain and safety in offices, processing plants and sorting centers. The Group established the "6S" committee and the administrative center is responsible for the formulation and implementation of "6S" management standards and the supervision and organization of inspections and appraisals at the corporate level. Responsible persons of all departments are responsible for the on-site inspections, supervision and appraisal on "6S" of their departments and the rectification of disqualified items. In the production process, the leaders of all production teams and groups are responsible for inspections, implementation, appraisal and records on their employees each day based on the "production environment" in the Contents of "6S" Inspections (《"6S"檢查內容》).

On July 16, 2022, the Human Resources Center of the Group carried out online and offline integrated trainings on the prevention of work safety accidents for production subsidiaries, involving common safety knowledge on transportation of goods, the use of transportation instruments and sorting equipment, and displayed videos of loading, unloading and transportation accidents and forklift accidents, which enhanced the awareness of employees on work safety responsibility and regulated employees' activities on operation safety.

While guaranteeing the safety of the working environment, the Group also cares about the physical and mental health of employees. The Group provides employees with free physical examinations each year. Department leaders also understand the working and life conditions of employees in time and conduct communications or assists in the adjustment of working contents in a timely manner to provide humanistic care. The Group also regularly releases "Hongjiu cultural periodicals" on its official WeChat account and publishes contributions of leaders and grass-roots employees of the Company. It displays the spirit of the Group, provides a platform for displaying the talents of employees and is widely recognized by employees.

From 2020 to 2022, the Group recorded no work-related death. In 2022, the Group had a total of 249 working days lost due to work-related injuries.

4.3 Development and Trainings

The Group attaches importance to talent training and provides employees with smooth promotion channels. The Group has formulated the Management System on Trainings 《培訓管理制度》, the Management Rules on Promotion 《晉升管理細則》 and other management systems on talent cultivation. The Group established the talent cultivation management center with the general manager, deputy general managers in charge, responsible persons of all departments and performance and training supervisors as members. The Human Resources Department is the executive department of the management center and is responsible for the formulation of talent cultivation plans and the introduction of talents as well as the guidance, supervision and appraisal on the talent cultivation plans and measures of all departments of the Company. The contents of trainings include corporate culture, professional skills, attendance management, working standards and safety protection with the coverage of employees of the Group at all levels through online and offline integration.

The training systems of the Group include vertical training systems and horizontal training systems:

- Vertical training systems: It sets the corresponding trainings programs for senior, medium, grass-roots and new employees; provides management personnel with management ideas, method and instruments of the corresponding level and offers learning platforms for new employees to assist them in smoothly taking new working positions. Such training systems also provide employees promoted and reserve management talents with training supports.

- Horizontal training systems: It organizes professional trainings on finance, marketing and human resources series. Based on the requirements of different departments and positions, it sets corresponding training programs and carries out targeted trainings to improve the professional and business skills of employees at all positions.

The Human Resources Department of the Group conducts analysis on training demand based on the annual overall human resources planning and formulates hierarchical training plans based on the vertical training systems each year. Responsible persons of all departments report the overall training plans of their departments to the Human Resources Department based on the annual operation plan of the Company and the horizontal training systems.

The Group formulated the Management System on Internal Trainers 《內部培訓師管理制度》 and established the team of internal trainers. The members are practitioners above the director level with high ranking in the business segment or over 8 years of experience in the industry and all of them have rich industry and professional experience. It not only vitalizes the human capitals within the Group but also provides employees with platforms to display their skills and comprehensively improve their own business capabilities.

Based on the Management Rules on Promotion, the Group promotes employees meeting the requirements on positions based on their own business capabilities and the requirements on positions of the Group. The Group regulates the promotion and appraisal procedures for employees and promotes them after written examinations, interviews and comprehensive appraisal.

As of the end of 2022, the percentage of employees trained and the average training hours of the Group by gender and type of employees are set out in the table below:

	2022	
Indicator	**Percentage of employees trained (%)**	**Average training hours (hour)**
Male employees	**99.61**	**51**
Female employees	**99.53**	**52**
Senior leaders	**100.00**	**80**
Medium management	**99.45**	**60**
Grass-roots employees	**99.45**	**40**

The training class for coach-styled managers and cadres is particularly developed by the Group to improve the management capability of the current management teams, cultivate, reserve and train new medium management staff and create an outstanding management team. The trainings include practical exercises, offline lectures, online exercises and autonomous learning. Trainees will obtain relevant certificates after passing examinations. On April 12, 2022, the Group awarded graduation certificates and evaluation certificates to the first batch of trainees passed examinations.

5. CARING FOR THE EARTH

The Group does not operate in industries with high pollution or high energy consumption and does not produce emissions or consume resources significantly. The Group deeply knows that the earth is the common homeland of humans and all kinds of species and we have the obligation to protect the resources, the ecology and the environment of the earth. Therefore, the Groups also strives to balance our role as a for-profit company with the betterment of people of the earth.

5.1 Use of Resources and Energy

The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Law of the People's Republic of China (《中華人民共和國水法》), the Environmental Protection Act (Vietnam) (《環保法》(越南)) and relevant laws and regulations of the places where it operates. Major resources and energy consumed in the production and operation of the Group include: water resources, electricity, natural gas and packaging materials. Their major use scenarios are routine office, the routine operation of processing plants and sorting centers, cleaning of fruit and packaging of goods. The Group did not encounter any issue in sourcing water. As of the end of 2022, the consumption of resources and energy by the Group are set out in the table below:

Indicator	**2022 Consumption**	**Consumption intensity**
Water resources	103,590.44 cubic meters	6.87 cubic meters/ revenue of RMB1,000,000
Comprehensive energy	5,850,220.84 kWh	387.93 kWh/ revenue of RMB1,000,000
Electricity	5,720,845.04 kWh	/
Natural gas	11,954.87 cubic meters	/
Main packaging materials	553 tons	0.04 ton/ revenue of RMB1,000,000
Cardboard boxes	369 tons	/
Plastic packages	184 tons	/
Other packaging materials	1,110,000 square meters	73.60 square meters/ revenue of RMB1,000,000
Coated paper	640,000 square meters	/
PE labels	470,000 square meters	/

In terms of the management of targets on resources and energy and with 2021 as the benchmark year, the Group requires to control the consumption of water, electricity and natural gas at 80%-120% during the year. With the continuous development of the businesses of the Group, we will appropriately adjust and correct the targets in combination of business characteristics.

The Group adopts the following management measures in terms of the use of water, electricity and natural gas:

Water saving	Electricity saving	Gas saving
Adjusting the use of water by water equipment and reduce leaks, outflows, drips or seepages; Enhancing the publicity on water saving.	Replacing lighting equipment with LED lights and requiring employees to turn off lights when leaving office; Controlling the use and temperature of air-conditioners, turning off air-conditioners when no one is in the office and opening windows for ventilation under appropriate temperatures.	Regularly inspecting pipes to prevent the leakage of natural gas; Adopting electricity saving measures to reduce the consumption of natural gas.

In terms of the use of packaging materials, the Group formulated management documents under the ISO 9001 quality system and specified the safety and environmental characteristics of packaging materials. Currently, all packaging materials used by the Group are renewable and degradable materials. In 2022, the Group cooperated with Hainan Green Bags Company in the exploration of new singlet bags with fully degradable materials. It successfully replaced PP/PE singlet bags with PBAT and other degradable materials and has passed third-party inspections and certification. Currently, the Group is promoting the application of such materials. It also continuously conducts the optimization of packaging structure of brand products. For instance, for the brand product of "Mi Tian Da Sheng" (獼天大聖), the most popular package for the product is the "common box", which uses relatively few paper among packages of the same category.

Degradable plastic bag in use

5.2 Emissions Management

The Group strictly complies with the Law of the People's Republic of China on Prevention and Control of Water Pollution《中華人民共和國水污染防治法》, the Law of the People's Republic of China on Prevention and Control of Air Pollution《中華人民共和國大氣污染防治法》, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes《中華人民共和國固體廢物污染環境防治法》and relevant laws and regulations on pollutant emissions of the places where it operates. The Group generates waste water and solid waste in production and operation processes and the wastes are mainly office waste and a few waste fruits. The discharge of waste water and wastes of the Group are insignificant and the waste water discharged meets the environmental standards of the place where it operates. The wastes are delivered to professional agencies appointed by property management companies for handling. As a result, the Group did not summarize and set targets on such data and it recorded no significant violations of laws and regulations on environmental protection during the Reporting Period.

5.3 Responding to Climate Change

The Group acknowledges that climate-related issues will pose a certain level of threat to the sustainable operation of the Group. With reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), the Group has mainly identified two categories of climate-related risks: physical risk and transitional risk.

- Physical risks: refer to risks related to physical impact of climate change, either driven by acute weather-related events or long-term chronic shifts in climate patterns, such as extreme weather events. Extreme weather events, such as typhoons, hurricanes, droughts and flooding, not only threat the personal safety of employees but also affect the harvest and quality of fruit as well as the transportation of products.

- Transitional risks: refer to risks related to the transition to a lower-carbon economy, which may entail policy, legal, technology, and market changes. The tightening of relevant laws and regulations on environmental prosecution of the places where it operates, such as the requirements on adopting more environmental materials in the processing and packaging of products, may increase the compliance risk, the reputational risk and the operating costs.

However, the Group also believes that risks and opportunities coexist. As a result, the Group actively explores response measures and identifies opportunities, including:

- Exploring and sharing agricultural know-how to help orchards and growers cultivate high-quality fruits and enhance yields, output stability and operational efficiency;

- Enhancing information sharing with logistics service provider, making preparations upon alarming on extreme weather and implementing a set of rigorous technical criteria as to temperature and humidity for the warehousing of each type of fruit during the transit;

- Evaluating the likelihood of occurrence and the magnitude of the resulting impact from the physical risks and transitional risks, formulating measures to mitigate, transfer, accept or control climate-related risks in operation and conducting cost-benefit analysis.

The Group plans to incorporate risks on climate change into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. Currently, the risks on climate change are expected not to have a material impact on our operation in the short and medium terms.

The Group also aims to minimize the transitional risk in the long term through reducing our carbon footprints. Greenhouse gas emissions of the Group are mainly from the direct emissions of greenhouse gas from the combustion of natural gas and other fuels as well as the indirect emissions of greenhouse gas from purchased electricity. The Group reduces the emissions of greenhouse gas through reducing energy consumption. As of the end of 2022, the emissions of greenhouse gas of the Group are set out in the table below.

Indicator	**Emissions (tons of carbon dioxide)**	**Emission intensity (tons of carbon dioxide/revenue of RMB1,000,000)**
Total emissions of greenhouse gas	3,344.28	0.22
Direct emissions of greenhouse gas (Note 1)	26.19	/
Indirect emissions of greenhouse gas (Note 2)	3,318.09	/

Note 1: The direct emissions of greenhouse gas are calculated at the natural gas consumption of the Company multiplying the corresponding emission factor. The emission factors are referred to ① China Energy Statistical Yearbook; and ② IPCC2006.

Note 2: The indirect emissions of greenhouse gas are calculated at the consumption of purchased electricity multiplying the corresponding emission factor. The emission factors are referred to the Notice on the Key Work in relation to the Management of Corporate Greenhouse Gas Emissions Reporting in 2022 issued by the Ministry of Ecology and Environment.

6. COMMUNITY WELFARE

Since its establishment, the Group has initiatively undertaken social responsibilities under the strong leadership of the municipal Party committee and the municipal government of Chongqing with the strong support of all sectors in the society. The PRC government has released a series of policies to support the development of fruit plantation in recent years. The Group actively responded to national calls and continuously explored high-quality categories with high growth and consumption potential in China. It has carried out cooperation in development and sales of high-quality domestic fruit in Chongqing Fengjie, Guizhou Xifeng, Sichuan Huili, Chengdu Pujiang and other regions.

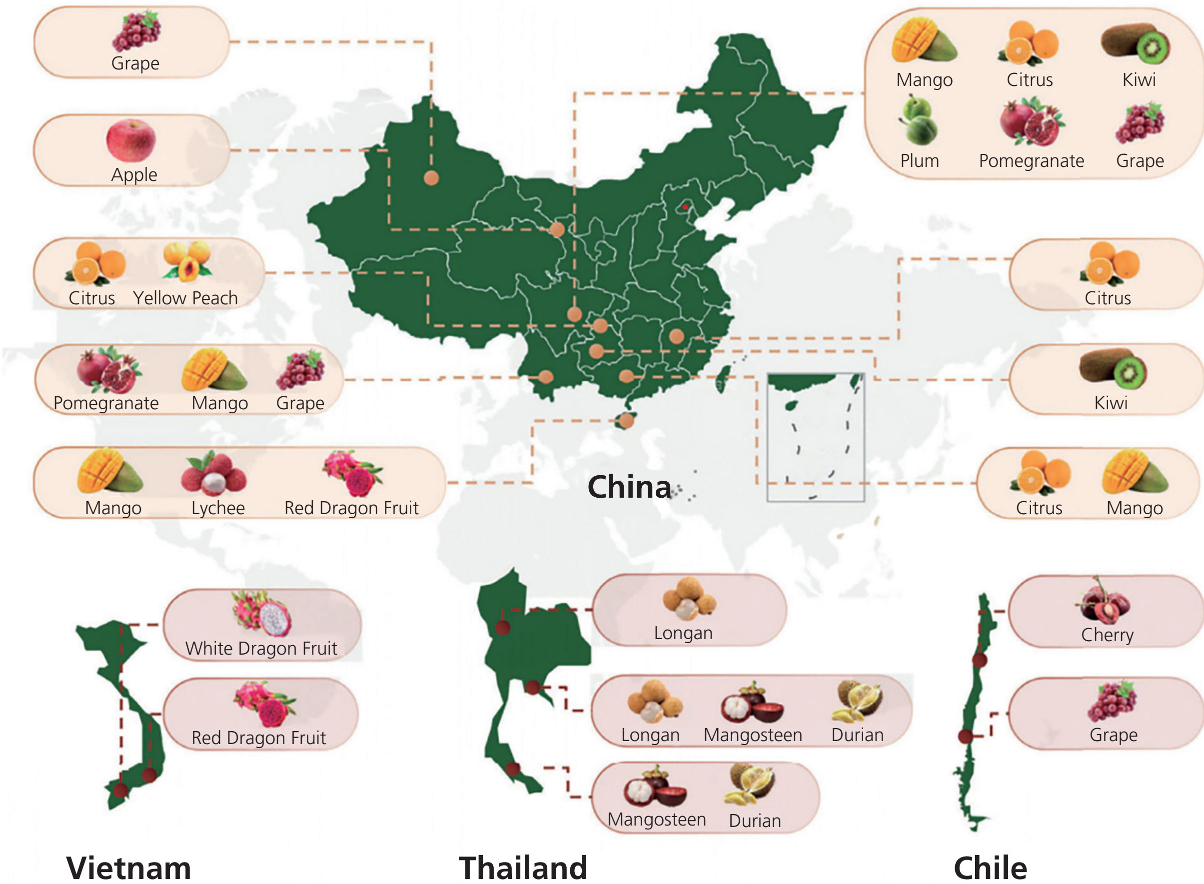
We actively responded to strategies on poverty alleviation and rural revitalization and undertook the responsibility of guaranteeing the sustainable development of "agriculture, rural areas and farmers". Taking root in Chongqing and radiating nationwide with a global vision, we have invested in the establishment of direct purchase bases and subsidiaries in Thailand, Vietnam and other countries along the "Belt and Road" initiatives, empowered industrial development with digital technology and gradually developed into an outstanding international enterprise in poverty reduction through industrial development.

For problems in the fruit industry in poverty-stricken areas, Hongjiu Fruit fully displayed its advantages in technology, management, brand, channels and digital supply chains and explored a poverty reduction model through industrial development with "joint construction of bases + orders off-taking + digital empowered supply chains". It has promoted the model to over 100 areas in China as well as rural areas in developing countries along the "Belt and Road" initiatives such as Thailand and Vietnam.

Industrial chains	Models of industrial assistance	Assistance results
Improving the fruit quality and easing the worries of growers through the model of "joint construction of bases and orders off-taking" in the upstream plantation	➢ For the insufficient professional plantation technology of fruit growers and the low standardization of fruit products in the upstream plantation, Hongjiu Fruit conducted the joint construction of plantation bases with growers through the cooperation model of "joint construction of bases" in orchards in rural areas. Hongjiu Fruit arranged technical experts to provide plantation technology and standards to plantation bases, built cold plants and sorting equipment and leveraged its own digital supply chains to optimize the sorting process and improve the quality and storage period of fruit. ➢ For the problem of no sales guarantee on growers' fruit, Hongjiu Fruit carried out cooperation with orchards in the joint construction of plantation bases and improved and guaranteed the quality of fruit from orchards. On such basis, the Company signed off-taking contracts on fruit with orchards and plantation bases and Hongjiu Fruit is responsible for off-taking, easing the worries of growers on sales.	Hongjiu Fruit has applied the model of "joint construction of bases and orders off-taking" in over 100 domestic and overseas fruit plantation bases. Its overseas bases are located in seven places in three countries, namely Thailand (Chanthaburi and Chumphon), Vietnam (Long An Province) and Chile. It has developed in bases in Thailand and Vietnam for over 10 years and invested a total of over RMB30 million. Its domestic bases are located in over 50 places in 10 provinces, including Chongqing, Guizhou, Hainan, Xinjiang, Gansu, Sichuan, Yunnan, Guizhou, Guangxi and Jiangxi.

Industrial chains	Models of industrial assistance	Assistance results
Assisting places of origin in the middle stream in building unique fruit brands and improving the premium and market competitiveness of products	➢ Hongjiu Fruit deeply explored the tales of brands and created catchy brand names for fruit products based on the fruit quality and category at cooperation bases to improve the brand recognition, such as the "Hongjiu Taihaochi (洪九泰好吃)" brand for durian and longan from Thailand, the "Yuelaimei (越來美)" brand for dragon fruit from Vietnam, the "Fengshanghao (奉上好)" brand for yellow peach from Fengjie County, Chongqing, the "Mi Tian Da Sheng (獼天大聖)" brand for kiwi from Xifeng County, Guizhou, the "Hai Mang Jun (海芒君)" brand for mangoes from Hainan as well as other fruit brands. ➢ Hongjiu Fruit organized display, themed marketing design and promotion activities in offline supermarkets and stores and allowed customers to get familiar with the products and brands developed by Hongjiu Fruit. It carried out marketing activities to promote products through JD.com, Suning.com, Meituan, Hema Fresh and other channels and conducted publicity through social media to support the brand image.	Hongjiu Fruit has assisted domestic and overseas cooperation bases in developing more than 20 brands for single products, covering over ten fruit categories such as citrus, apples, kiwi and lychees.

Industrial chains	Models of industrial assistance	Assistance results
Connecting downstream "new retail" channels and smoothening sales channels for products	➢ Hongjiu Fruit has actively responded to the policies of the State Council Leading Group Office of Poverty Alleviation and Development since 2014. Leveraging on its complete chains from production, logistics, multi-level wholesales and distribution, it vigorously cooperated with new retailers represented by e-commerce, assisted poverty-stricken rural areas in connecting e-commerce channels for their products to facilitate poverty alleviation for growers. ➢ Since the outbreak of the COVID-19 pandemic, Hongjiu Fruit acquired slow-moving fruit in rural areas, actively displayed its own advantages in new retail channels, effectively dissolved risks on slow-moving products as a result of the pandemic and guaranteed the stable supply of agricultural products during the pandemic.	Hongjiu Fruit has carried out business cooperation with over 100 emerging retailers and become a key supplier to JD.com, Hema Fresh, Meituan Select, Qiandama and other new retail platforms, effectively guaranteeing the sales channels for products from upstream plantation. Hongjiu Fruit actively responded to the requirements of the Joint Prevention and Control Mechanism of the State Council and carried out the stable production and supply of agricultural products. From spring to summer in 2022, Hongjiu Fruit assisted over 500 fruit growers in solving the slow-moving fruit with over 25 million kilograms in over 10 fruit bases.



Upstream: Hongjiu Fruit’s Cooperation in Global Upstream Plantation

Middle stream: "Fengshanghao" brand for yellow peach developed by Hongjiu Fruit for Fengjie County

Downstream: Hongjiu Fruit and Binh Thuan in Vietnam
sign the direct supply agreement on the industry with a retail group

Case: Hongjiu Fruit leads over 10,000 fruit growers in achieving poverty alleviation through the development of the fruit industry

Hongjiu Fruit promoted the development of featured fruit industry in various poverty-stricken areas in China through direct purchase from cooperation bases, standard processing, brand building, digital supply chain management and control and other means, covering the kiwi industry in Xifeng County, Guizhou, the yellow peach industry in Fengjie County, Chongqing, the pomegranate industry in Liangshan Prefecture, Sichuan, the Crimson grape industry in Xichang, Sichuan and the mango and lychee industry in Hainan. Hongjiu Fruit promoted the establishment of a high-standard kiwi base with an area of 1,022 mu in Shidong Town, Xifeng County through the joint construction of bases in 2017, achieving an income up to RMB8,000 for each grower and each mu, increasing income for 403 local poverty-stricken households and expanding the collective economies of 18 villages. Currently, the kiwi industry has become one of key industrial supports to promoting rural revitalization in Xifeng County.

"Mi Tian Da Sheng (獼天大聖)" kiwi plantation base in Xifeng County developed by Hongjiu Fruit

In 2022, the International Model for Poverty Reduction Based on Digital Empowerment and Industry – The Case of Hongjiu Fruit's Approach to Poverty Reduction in a Post-Pandemic Era was awarded the Best Poverty Reduction Practices in the Third Call of Global Solicitation on Best Poverty Reduction Practices co-initiated by the International Poverty Reduction Center in China, the China Internet Information Center, the World Bank, the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development, the United Nations World Food Programme and the Asian Development Bank.


第三届全球减贫案例征集活动

证　书

《数字赋能、产业为基的国际化减贫模式——后疫情时代下的洪九果品公司减贫案例》荣获“第三届全球减贫案例征集活动”最佳减贫案例，并将收录进南南合作减贫知识分享网站——中外减贫案例库及在线分享平台。

特发此证，以资鼓励。

Certificate of the Best Poverty Reduction Practices

APPENDIX

Table of Key Environmental and Social Performance Indicators

Environment

Resources and energy	Consumption	Consumption intensity
Water resources	103,590.44 cubic meters	6.87 cubic meters/ revenue of RMB1,000,000
Comprehensive energy	5,850,220.84 kWh	387.93 kWh/ revenue of RMB1,000,000
Electricity	5,720,845.04 kWh	/
Natural gas	11,954.87 cubic meters	/
Main packaging materials	553 tons	0.04 ton/ revenue of RMB1,000,000
Cardboard boxes	369 tons	/
Plastic packages	184 tons	/
Other packaging materials	1,110,000 square meters	73.60 square meters/ revenue of RMB1,000,000
Coated paper	640,000 square meters	/
PE labels	470,000 square meters	/

Greenhouse gas	Emissions	Emission intensity
Total emissions of greenhouse gas	3,344.28 tons of carbon dioxide	0.22 ton of carbon dioxide/ revenue of RMB1,000,000
Direct emissions of greenhouse gas	26.91 tons of carbon dioxide	/
Indirect emissions of greenhouse gas	3,318.09 tons of carbon dioxide	/

Social

Number of employees by type	
Male employees	1,075
Female employees	1,532
Number of employees in China	2,250
Number of overseas employees	357
Number of employees aged 30 and below	1,019
Number of employees aged 31-50	1,337
Number of employees aged above 50	251

Social

Turnover rate of employees by type	
Turnover rate of male employees	20.9%
Turnover rate of female employees	24.2%
Turnover rate of employees in China	24.0%
Turnover rate of overseas employees	15.7%
Turnover rate of employees aged 30 and below	13.9%
Turnover rate of employees aged 31-50	21.6%
Turnover rate of employees aged above 50	65.7%

Employee training by type	Percentage of employees trained	Average training hours
Male employees	99.61%	51 hours
Female employees	99.53%	52 hours
Senior leaders	100.00%	80 hours
Medium management	99.45%	60 hours
Grass-roots employees	99.45%	40 hours

Employee health and safety	
Number of working days lost due to work-related injuries	249 days
Number of work-related death	It was 0 in 2020, 2021 and 2022, respectively

Intellectual property rights	
Trademarks	207
Patents	3
Design patents	2
Utility model patents	1
Copyrights on art works	22
Software copyrights	3
Domain names	3

Suppliers by region	
Suppliers in China	1,375
Overseas suppliers	2,444

Hong Kong Stock Exchange's Environmental, Social and Governance Reporting Guide Content Index

Environment, Society and Governance Reporting Guide		Report Content
Subject Area A. Environmental		
Aspect A1: Emissions		
A1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	5.2 Emissions Management
A1.1	The types of emissions and respective emissions data.	5.2 Emissions Management
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.3 Responding to Climate Change
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Emissions Management
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	5.2 Emissions Management
A1.5	Description of emission target(s) set and steps taken to achieve them.	5.2 Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.2 Emissions Management
Aspect A2: Use of Resources		
A2	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	5.1 Use of Resources and Energy
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	5.1 Use of Resources and Energy
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	5.1 Use of Resources and Energy
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.1 Use of Resources and Energy
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.1 Use of Resources and Energy
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	5.1 Use of Resources and Energy
Aspect A3: The Environment and Natural Resources		
A3	General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.	5. Caring for the Earth
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5. Caring for the Earth
Aspect A4: Climate Change		
A4	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.3 Responding to Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.3 Responding to Climate Change

Environment, Society and Governance Reporting Guide		Report Content
Subject Area B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
B1	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	4.1 Employment and Staff Welfare
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	4.1 Employment and Staff Welfare
B1.2	Employee turnover rate by gender, age group and geographical region.	4.1 Employment and Staff Welfare
Aspect B2: Health and Safety		
B2	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2 Occupational Health and Safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.2 Occupational Health and Safety
B2.2	Lost days due to work injury.	4.2 Occupational Health and Safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	4.2 Occupational Health and Safety
Aspect B3: Development and Training		
B3	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Development and Trainings
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	4.3 Development and Trainings
B3.2	The average training hours completed per employee by gender and employee category.	4.3 Development and Trainings
Aspect B4: Labour Standards		
B4	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	4.1 Employment and Staff Welfare
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employment and Staff Welfare
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employment and Staff Welfare

Environment, Society and Governance Reporting Guide		Report Content
Operating Practices		
Aspect B5: Supply Chain Management		
B5	General Disclosure Policies on managing environmental and social risks of the supply chain.	2. Sustainable Supply Chains
B5.1	Number of suppliers by geographical region.	2. Sustainable Supply Chains
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	2. Sustainable Supply Chains
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2. Sustainable Supply Chains
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	2. Sustainable Supply Chains
Aspect B6: Product Responsibility		
B6	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 Striving for Excellent in Quality Management
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Involved
B6.2	Number of products and service related complaints received and how they are dealt with.	3.2 Optimizing Services and Responding in Time
B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Protection of Intellectual Property Rights Driven by Innovation
B6.4	Description of quality assurance process and recall procedures.	3.1 Striving for Excellent in Quality Management
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	1.2 Information Security and Privacy Protection
Aspect B7: Anti-corruption		
B7	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.1 Compliance with Business Ethics
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	1.1 Compliance with Business Ethics
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	1.1 Compliance with Business Ethics
B7.3	Description of anti-corruption training provided to directors and staff.	1.1 Compliance with Business Ethics

Environment, Society and Governance Reporting Guide		Report Content
Community		
Aspect B8: Community Investment		
B8	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Community Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6. Community Welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	6. Community Welfare

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHONGQING HONGJIU FRUIT CO., LIMITED

(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of 重慶洪九果品股份有限公司 Chongqing Hongjiu Fruit Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on page 108 to 180 which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">Revenue recognition</th></tr>
<tr><td colspan="2">Refer to note 3 to the consolidated financial statements and the accounting policies on pages 136 to 138.</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group recorded revenue from the sales of fruits totalling RMB15,080,546 thousand for the year ended December 31, 2022.

Revenue from sales of fruits is recognized when the fruits are delivered to the location designated by the customers and accepted which is the point at which the control of the fruits is considered to have been transferred.

We identified the recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing and amount of revenue recognition by management to meet specific targets or expectations.</td><td>Our audit procedures to assess the recognition of revenue included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over revenue recognition;

• inspecting the Group's contracts with customers on a sample basis to evaluate if the Group's revenue recognition policies were in accordance with the requirements of the prevailing accounting standards;

• obtaining external confirmations of the value of sales transactions for the year ended December 31, 2022 and outstanding trade receivable balances as at that date directly from customers, on a sample basis;

• comparing revenue recognised during the year, on a sample basis, to goods delivery notes accepted by the customers or the supermarket customers' system record;

• assessing, on a sample basis, whether specific revenue transactions before and after the financial year end had been recognised in the appropriate financial year by comparing those selected transactions with goods delivery notes or to the supermarket customers' system record;

• identifying significant credit notes issued and sales returns from the sales ledger after the year end and inspecting relevant underlying documentation to assess if the related adjustments to revenue had been accounted for in the appropriate financial period in accordance with the requirements of the prevailing accounting standards; and

• selecting a sample of sales journals during the financial year that met certain risk based criteria and comparing details of these journals with the relevant underlying documents.</td></tr>
</table>

Expected credit loss allowances for trade receivables	
Refer to note 16 to the consolidated financial statements and the accounting policies on pages 154 to 155.	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group's trade receivables mainly arose from sales of fruits. The total allowance for expected credit loss (ECLs) for the trade receivables balances as at December 31, 2022 was RMB532,064 thousand and the related ECLs for the year then ended was RMB476,801 thousand, which represented 28% of the Group's profit before taxation for the year ended December 31, 2022. Management measures the loss allowances of the trade receivables at an amount equal to lifetime "ECLs" based on estimated loss rate for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the customers, current market conditions, customer-specific conditions, and forward looking information. Such assessment involves significant management judgement and estimation. We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement, which is inherently subjective.	Our audit procedures to assess the ECL allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of trade receivable, debt collection and estimation of the ECL allowance; • evaluating the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard; • obtaining an understanding of the key data and assumptions used in the ECL model adopted by the management, including the basis of the segmentation of the trade receivables based on shared credit risk characteristics, the historical loss data used in management's estimation of loss rates; • assessing the appropriateness of management's estimate of the ECL allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical loss data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information; • assessing whether items in the trade receivables aging report were categorised in the appropriate ageing bracket by comparing individual items, on a sample basis, with goods delivery notes or supermarket customers' system records; and • re-performing the calculation of the ECL allowance as at December 31, 2022 based on the Group's credit loss allowance policies.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
March 20, 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022
(Expressed in Renminbi ("RMB"))

		For the Year ended December 31,	
	Note	**2022**	2021
		RMB'000	RMB'000
Revenue	*3*	**15,080,546**	10,280,074
Cost of sales		**(12,504,664)**	(8,666,973)
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	*4*	**91,600**	87,994
Other expenses		**(2,182)**	(3,547)
Profit from operations		**1,787,606**	1,325,819
Finance costs	*5(a)*	**(77,247)**	(29,134)
Changes in the carrying amount of liabilities recognized for preferential rights issued to investors		**–**	(797,150)
Profit before taxation	*5*	**1,710,359**	499,535
Income tax	*6(a)*	**(255,813)**	(207,093)
Profit for the year		**1,454,546**	292,442
Attributable to:			
Equity shareholders of the Company		**1,452,214**	291,636
Non-controlling interests		**2,332**	806
Profit for the year		**1,454,546**	292,442
Earnings per share (RMB)			
Basic (RMB)	*10(a)*	**3.17**	1.50
Diluted (RMB)	*10(b)*	**3.17**	1.50

The accompanying notes form part of the consolidated financial statements.

	Note	2022 RMB'000	2021 RMB'000
		For the Year ended December 31,	
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	*9*	**21,915**	(10,169)
Total comprehensive income for the year		**1,476,461**	282,273
Attributable to:			
Equity shareholders of the Company		**1,474,015**	281,495
Non-controlling interests		**2,446**	778
Total comprehensive income for the year		**1,476,461**	282,273

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in RMB)

		As at December 31,	
	Note	**2022**	2021
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	*11*	**83,169**	81,275
Right-of-use assets	*12*	**91,247**	58,698
Intangible assets		**15**	33
Other non-current assets		**903**	808
Deferred tax assets	*22(b)*	**106,997**	7,444
		282,331	148,258
Current assets			
Inventories	*15*	**334,252**	224,602
Trade and other receivables	*16*	**8,996,036**	5,133,722
Financial assets measured at fair value through profit or loss	*14*	**1,001**	10,000
Cash and cash equivalents	*17*	**149,177**	239,534
		9,480,466	5,607,858
Current liabilities			
Trade and other payables	*18*	**767,831**	325,411
Bank loans	*19*	**2,282,794**	874,650
Lease liabilities	*20*	**26,803**	19,252
Taxation payable	*22(a)*	**246,402**	92,131
		3,323,830	1,311,444
Net current assets		**6,156,636**	4,296,414
Total assets less current liabilities		**6,438,967**	4,444,672
Non-current liabilities			
Lease liabilities	*20*	**60,344**	34,634
Other non-current liabilities		**485**	375
		60,829	35,009
NET ASSETS		**6,378,138**	4,409,663

The accompanying notes form part of the consolidated financial statements.

(Expressed in RMB)

		As at December 31,	
	Note	**2022**	2021
		RMB'000	RMB'000
CAPITAL AND RESERVES			
Share capital	*23(b)*	**467,369**	453,074
Reserves		**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

Approved and authorised for issue by the board of directors on March 20, 2023.

Deng Hongjiu
Chairman of the board

Tan Bo
Executive Director

The accompanying notes form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in RMB)

	Note	Attributable to equity shareholders of the Company								
		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	Non-controlling interests RMB'000	Total equity 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	*9*	**–**	**–**	**–**	**–**	**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 by initial public offering and over-allotment, net of issuing costs	*23(b)*	**14,295**	**475,108**	**–**	**–**	**–**	**–**	**489,403**	**–**	**489,403**
Equity-settled share based payment	*21*	**–**	**2,611**	**–**	**–**	**–**	**–**	**2,611**	**–**	**2,611**
Appropriation to statutory reserves	*23(c)*	**–**	**–**	**–**	**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**

The accompanying notes form part of the consolidated financial statements.

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Operating activities			
Cash used in operations	17(b)	**(1,622,350)**	(796,070)
Corporate Income Tax paid	22(a)		
– 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, plant and equipment		**1,130**	5
Cash receipts from redemption of financial assets measured at fair value through profit or loss	24(e)	**100,063**	1,507,193
Payment for investment in financial assets measured at fair value through profit or loss	24(e)	**(91,000)**	(1,353,000)
Net cash (used in)/generated from investing activities		**(5,133)**	128,932
Financing activities			
Issuance of ordinary shares by initial public offering and over-allotment, net of issuing costs		**491,761**	–
Proceeds from bank loans	17(c)	**4,923,388**	1,500,857
Repayments of bank loans	17(c)	**(3,592,726)**	(726,778)
Dividends paid to non-controlling shareholders	17(c)	**–**	(26)
Interest paid	17(c)	**(70,167)**	(25,924)
Capital element of lease rentals paid		**(30,671)**	(19,423)
Interest element of lease rentals paid	17(c)	**(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

The accompanying notes form part of the consolidated financial statements.

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 as explained in note 1(e).

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are set out in Note 2.

(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) Consolidation

(i) Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amounts of the net assets acquired and the consideration paid for the combination is adjusted to equity. Any costs directly attributable to the combination are recognized in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Consolidation (continued)

(ii) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statement from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statement. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statements of financial position in accordance with note 1(o), (p) and (q) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Consolidation (continued)

(ii) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)(ii)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries are set out below.

Investments in debt and equity securities are recognized/derecognized on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognized directly in profit or loss. For an explanation of how the group determines fair value of financial instruments, see note 24(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(u)(iii)).

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other investments in debt and equity securities (continued)

(i) Investments other than equity investments (continued)

- fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value through profit or loss if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income.

Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognized in profit or loss as other income in accordance with the policy set out in note 1(u)(v).

(f) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment property (continued)

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognized in profit or loss. Rental income from investment properties is accounted for as described in note 1(u)(ii).

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that properties for measurement or disclosure purposes.

Depreciation is calculated to write off the cost of investment property, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

	Estimated useful life
Buildings	20 years

Investment property is presented in "property, plant and equipment" in the consolidated statement of financial position.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amounts of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of other property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	20 – 40 years
– Freehold land	indefinite
– Machinery	5 – 10 years
– Equipment and furniture	3 – 5 years
– Vehicles	5 – 10 years

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see note 1(j)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(h) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (see note 1(j)(ii)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years

Both the period and method of amortization are reviewed annually.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leased assets (continued)

(i) As a lessee (continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated statements of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the year.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with note 1(u)(ii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets measured at amortized cost (including cash and cash equivalents, trade and other receivables and loans to related parties).

Financial assets measured at fair value are not subject to the ECL assessment.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Measurement of ECLs (continued)

For all other financial instruments, the Group recognizes a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instruments has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account.

Basis of calculation of interest income

Interest income recognized in accordance with note 1(u)(iii) is calculated based on the gross carrying amounts of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortized cost (i.e. the gross carrying amounts less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(i) Credit losses from financial instruments (continued)

Write-off policy

The gross carrying amounts of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of the year to identify indications that the following assets may be impaired or, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– right-of-use assets; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Credit losses and impairment of assets (continued)

(ii) Impairment of other non-current assets (continued)

An impairment loss is recognized in profit or loss if the carrying amounts of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amounts of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amounts of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amounts that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories are assigned by using specific identification of their individual costs and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amounts of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see note 1(u)). A contract liability would also be recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(u)).

(m) Trade and other receivables

A receivable is recognized when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 1(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Financial instruments issued to investors

The Company entered into a series of investment agreements with certain independent investors, pursuant to which, these investors agreed to make cash investments to the Company to acquire the shares of the Company (collectively referred as "Pre-IPO Investments").

The Company recognized the financial instruments Issued to Investors as financial liabilities, because these financial instruments did not meet the definition of equity for the Company. The financial liabilities are measured at an amount expected to be paid to the investors upon liquidation which is assumed to be at the dates of issuance and at the end of the year. Any changes in the carrying amount of the financial liabilities resulting from the revision of estimated contractual cash flows were recognized in profit or loss as "changes in the carrying amount of liabilities recognized for preferential rights issued to investors".

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with the Group's accounting policy for borrowing costs (see note 1(x)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to local defined retirement plans are recognized as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share-based payment awards granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value of the shares granted to employees was determined with reference to the latest transaction price.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are recognized at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

(s) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

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 the 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue and other income (continued)

(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(j)(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.

(v) Translation of foreign currencies

Foreign currency transactions during the Relevant Periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the year. Exchange gains and losses are recognized in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Translation of foreign currencies (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognizes such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the year. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(x) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Related parties (continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) 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 ACCOUNTING JUDGEMENTS AND ESTIMATES

Note 24 contains information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

The assessment of the correlation among historical observed default rates and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(b) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

3 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

Disaggregation of revenue

Disaggregation of revenue from contracts with customers is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	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.

3 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Geographical information (continued)

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	2021
	RMB'000	RMB'000
The PRC (place of domicile)	**109,220**	76,066
Thailand	**42,433**	39,894
Vietnam	**23,681**	24,854
	175,334	140,814

4 OTHER NET INCOME

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

(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.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

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

(b) Staff costs

	Year ended December 31,	
	2022	2021
	RMB'000	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**	–
	228,978	195,257

Staff costs includes remuneration of directors, supervisors and senior management (note 7 and note 25(a)).

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.

5 PROFIT BEFORE TAXATION (continued)

(c) Other items

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Amortization		
– intangible assets	**3**	112
Depreciation		
– property, plant and equipment (note 11)	**14,276**	13,049
– right-of-use assets (note 12)	**35,413**	22,399
	49,689	35,448
Impairment losses on trade receivables (note 24(a))	**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 (note (i))	**12,504,664**	8,666,973

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

6 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 RMB'000	2021 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 of temporary differences (note 22)	**(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 RMB'000	2021 RMB'000
Profit before taxation		**1,710,359**	499,535
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		**16,373**	5,238
Actual tax expense		**255,813**	207,093

(Expressed in RMB, unless otherwise stated)

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

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

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Year ended December 31, 2022				
	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000	Sub-total RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九)	608	500	8	2,611	3,727
Executive Directors					
Ms. Jiang Zongying (江宗英)	247	250	8	–	505
Mr. Peng He (彭何)	383	250	8	–	641
Ms. Tan Bo (譚波)	268	200	8	–	476
Mr. Yang Junwen (楊俊文)	268	200	8	–	476
Non-executive Directors					
Mr. Dong Jiaxun (董佳訊)	–	–	–	–	–
Mr. Xia Bei (夏蓓)	–	–	–	–	–
Mr. Chen Tongtong(陳彤彤)	–	–	–	–	–
Independent Non-executive Directors					
Mr. Liu Anzhou (劉安洲)	100	–	–	–	100
Ms. Fan Weihong (范偉紅)	100	–	–	–	100
Ms. Liu Xiuqin (劉秀琴)	100	–	–	–	100
Mr. An Rui (安銳)	100	–	–	–	100
Supervisors					
Ms. Yu Lixia (余利霞)	122	140	8	–	270
Mr. Huang Hua (黃華)	134	140	8	–	282
Mr. Deng Yinmei (鄧銀美)	175	140	8	–	323
Mr. Chen Xiangzeng (陳向曾)	133	140	8	–	281
Mr. Wu Di (吳迪)	–	–	–	–	–
	2,738	1,960	72	2,611	7,381

7 DIRECTORS' EMOLUMENTS (continued)

	Year ended December 31, 2021				
	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Share-based payments RMB'000	Sub-total RMB'000
Chairman					
Mr. Deng Hongjiu (鄧洪九)	607	350	7	–	964
Executive Directors					
Ms. Jiang Zongying (江宗英)	246	200	7	–	453
Mr. Peng He (彭何)	380	200	7	–	587
Ms. Tan Bo (譚波)	261	150	7	–	418
Mr. Yang Junwen (楊俊文)	261	150	7	–	418
Non-executive Directors					
Mr. Dong Jiaxun (董佳訊)	–	–	–	–	–
Mr. Xia Bei (夏蓓)	–	–	–	–	–
Ms. Sheng Cong (盛聰) (resigned on September 6, 2021)	–	–	–	–	–
Mr. Chen Tongtong (陳彤彤) (appointed on September 6, 2021)	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhou Quyi (周渠毅) (resigned on September 6, 2021)	67	–	–	–	67
Mr. Liu Anzhou (劉安洲) (appointed on September 6, 2021)	33	–	–	–	33
Ms. Fan Weihong (范偉紅)	100	–	–	–	100
Ms. Liu Xiuqin (劉秀琴)	100	–	–	–	100
Mr. An Rui (安鋭)	100	–	–	–	100
Supervisors					
Ms. Yu Lixia (余利霞)	119	120	7	–	246
Mr. Huang Hua (黃華)	130	120	7	–	257
Mr. Deng Yinmei (鄧銀美)	159	120	7	–	286
Mr. Chen Xiangzeng (陳向曾)	131	120	7	–	258
Mr. Wu Di (吳迪)	–	–	–	–	–
	2,694	1,530	63	–	4,287

7 DIRECTORS' EMOLUMENTS (continued)

During the year, no emoluments was paid by the Group to the directors or any of the five highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.

On February 4, 2023, Ms. Fan Weihong resigned as an independent non-executive director and the chairwoman of the audit committee of the board and Ms. Xu Kemei has been nominated as an independent non-executive director.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2022, all top five individuals with the highest emoluments are directors or supervisors whose emoluments are disclosed in note 7.

9 OTHER COMPREHENSIVE INCOME

	Year ended December 31,					
	2022			2021		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of subsidiaries outside of the PRC	**21,915**	**–**	**21,915**	(10,169)	–	(10,169)

10 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 shareholders of the Company used in basic earnings per share calculation:

	Year ended December 31,	
	2022	2021
	RMB'000	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	**1,452,214**	287,254

(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 by initial public offering and over-allotment	**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	**457,838,869**	192,045,087

10 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares. The profit attributable to ordinary equity shareholders 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.

11 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amount

	Investment property RMB'000	Buildings RMB'000	Freehold land RMB'000	Machinery RMB'000	Equipment, furniture and others RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At January 1, 2021	12,079	33,599	4,803	20,833	8,658	9,059	3,627	92,658
Purchases	–	4,435	–	6,163	4,071	1,968	8,588	25,225
Transfer from construction in progress	–	824	–	–	164	–	(988)	–
Exchange adjustments	–	(1,610)	(588)	(2,692)	(1,236)	(640)	(829)	(7,595)
Disposals	–	(10)	–	(58)	(1,796)	(389)	–	(2,253)
At December 31, 2021 and January 1, 2022	**12,079**	**37,238**	**4,215**	**24,246**	**9,861**	**9,998**	**10,398**	**108,035**
Purchases	**–**	**2,788**	**–**	**2,691**	**4,444**	**980**	**4,423**	**15,326**
Transfer from construction in progress	**–**	**13,724**	**–**	**541**	**–**	**–**	**(14,265)**	**–**
Exchange adjustments	**–**	**1,183**	**246**	**503**	**333**	**249**	**74**	**2,588**
Disposals	**–**	**–**	**–**	**(3,487)**	**(166)**	**(187)**	**–**	**(3,840)**
At December 31, 2022	**12,079**	**54,933**	**4,461**	**24,494**	**14,472**	**11,040**	**630**	**122,109**

11 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount (continued)

	Investment property RMB'000	Buildings RMB'000	Freehold land RMB'000	Machinery RMB'000	Equipment, furniture and others RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation								
At January 1, 2021	(3,015)	(4,026)	–	(4,111)	(2,376)	(2,265)	–	(15,793)
Charge for the year	(588)	(5,179)	–	(3,100)	(2,436)	(1,746)	–	(13,049)
Exchange adjustments	–	134	–	776	184	237	–	1,331
Disposals	–	10	–	16	651	74	–	751
At December 31, 2021 and January 1, 2022	**(3,603)**	**(9,061)**	**–**	**(6,419)**	**(3,977)**	**(3,700)**	**–**	**(26,760)**
Charge for the year	**(586)**	**(4,604)**	**–**	**(4,379)**	**(2,897)**	**(1,810)**	**–**	**(14,276)**
Exchange adjustments	**–**	**(20)**	**–**	**(76)**	**(289)**	**(144)**	**–**	**(529)**
Disposals	**–**	**–**	**–**	**2,436**	**69**	**120**	**–**	**2,625**
At December 31, 2022	**(4,189)**	**(13,685)**	**–**	**(8,438)**	**(7,094)**	**(5,534)**	**–**	**(38,940)**
Net book value:								
At December 31, 2022	**7,890**	**41,248**	**4,461**	**16,056**	**7,378**	**5,506**	**630**	**83,169**
At December 31, 2021	8,476	28,177	4,215	17,827	5,884	6,298	10,398	81,275

(i) As at December 31, 2022, the Group is applying for the certificates of ownership for certain buildings located in Vietnam with carrying amount of RMB12,997 thousand (2021: RMB13,505 thousand)

(ii) The fair value of investment properties valued by an independent third party valuer is RMB16,275 thousand (2021: RMB14,199 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.

The Group leases out investment properties under operating lease. The leases run for initial period of 1 or 5 years.

12 RIGHT-OF-USE ASSETS

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Properties leased for own use carried at cost RMB'000	Land use rights RMB'000	Total RMB'000
Cost:			
At January 1, 2021	30,245	2,828	33,073
Additions	62,438	–	62,438
Exchange adjustments	(982)	(205)	(1,187)
Disposals	(5,185)	–	(5,185)
At December 31, 2021 and January 1, 2022	**86,516**	**2,623**	**89,139**
Additions	**67,361**	**–**	**67,361**
Exchange adjustments	**911**	**52**	**963**
Disposals	**(11,672)**	**–**	**(11,672)**
At December 31, 2022	**143,116**	**2,675**	**145,791**
Accumulated depreciation:			
At January 1, 2021	(13,333)	(239)	(13,572)
Charge for the year	(22,328)	(71)	(22,399)
Exchange adjustments	337	8	345
Disposals	5,185	–	5,185
At December 31, 2021 and January 1, 2022	**(30,139)**	**(302)**	**(30,441)**
Charge for the year	**(35,344)**	**(69)**	**(35,413)**
Exchange adjustments	**(390)**	**28**	**(362)**
Disposals	**11,672**	**–**	**11,672**
At December 31, 2022	**(54,201)**	**(343)**	**(54,544)**
Net book value:			
At December 31, 2022	**88,915**	**2,332**	**91,247**
At December 31, 2021	56,377	2,321	58,698

12 RIGHT-OF-USE ASSETS (continued)

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows: (continued)

(i) Properties leased for own use

The Group leases offices and warehouses under leases expiring from 1 to 15 years. Some leases include an option to renew the lease when all terms are renegotiated. None of the leases includes variable lease payments.

(ii) Land use rights

Land use rights are located in Vietnam and are held on medium-term leases of 40 years from the commencement of the lease period.

(iii) Rental deposits

The refundable rental deposit itself is not part of the lease payments and is in the scope of IFRS 9. Therefore, the rental deposit should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

(b) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Properties leased for own use, carried at cost	**35,344**	22,328
Land use rights, carried at depreciated cost	**69**	71
	35,413	22,399
Interest on lease liabilities (note 5(a))	**3,838**	2,130
Expense relating to short-term leases	**4,278**	17,735

For the year ended December 31, 2022, additions to right-of-use assets was RMB67,361 thousand (2021: RMB62,438 thousand). These amounts included the capitalized lease payments payable and initial direct costs in connection with leases under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(d) and 24(b), respectively.

(Expressed in RMB, unless otherwise stated)

13 INVESTMENTS IN SUBSIDIARIES

As at December 31, 2022, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

			Proportion of ownership interests		
Company Name	**Date of incorporation/place of incorporation and operation/ kind of legal entity**	**Particulars of issued and paid-up capital**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Chongqing Xinhongjiu Supply Chain Management Co., Ltd. (重慶新洪九供應鏈管理有限公司) (note (i))	December 25, 2015/ The PRC/Limited company	RMB 10,000,000	100.00%	–	Supply and sale for online e-commerce and community group purchase
Chongqing Runjiu Supply Chain Management Co., Ltd. (重慶潤九供應鏈管理有限公司) (note (i))	February 24, 2014/ The PRC/Limited company	RMB 5,000,000	65.00%	–	Customs declaration and inspection declaration agent; logistics transportation
Niran International Trading Company Limited (天長地久國際貿易有限公司)	May 18, 2017/ Thailand/Limited company	Thailand Baht 139,152,800	99.24%	–	Procurement, pre-processing and export of fruits in Thailand
Green Fruit Holdings Company Limited (綠色食品控股有限公司) (note (ii))	April 3, 2018/ Thailand/Limited company	Thailand Baht 5,000,000	–	49.00%	Factory rental
Yuelaimei Import & Export Co., Ltd. (越來美進出口有限責任公司)	May 19, 2017/ Vietnam/Limited company	Vietnamese Dong 82,685,000,000	100.00%	–	Procurement, pre-processing and export of fruits in Vietnam
Hongjiu Fruta Import & Export SpA (洪九果品進出口股份有限公司)	August 9, 2017/ Republic of Chile/ Limited company	USD 50,000	100.00%	–	Procurement, pre-processing and export of fruits in Chile

13 INVESTMENTS IN SUBSIDIARIES (continued)

As at December 31, 2022, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies: (continued)

			Proportion of ownership interests		
Company Name	**Date of incorporation/place of incorporation and operation/ kind of legal entity**	**Particulars of issued and paid-up capital**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Hong Nine Philippine Fruit Inc. (洪九菲律賓果品公司)	November 4, 2020/ Republic of the Philippines/Limited company	Philippines Peso 6,250,000	99.50%	–	Procurement, pre-processing and export of fruits in Philippine

Notes:

(i) The official names of these entities are in Chinese. The English translation of the names is for reference only. These companies were limited liability companies under the law of the PRC.

(ii) Niran International Trading Company Limited has had majority voting power over Green Fruit since its establishment pursuant to its articles of association and therefore, the Directors are of the view that the Group controlled Green Fruit and it is appropriate to determine Green Fruit as one of its subsidiaries.

All companies comprising the Group have adopted December 31 as their financial year end date.

14 FINANCIAL ASSETS MEASURED AT FVPL

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Current assets		
Financial assets measured at FVPL		
– Investment in wealth management products	**1,001**	10,000

As at December 31, 2022, the balance of financial assets measured at FVPL represents wealth management product issued by the bank in the PRC with a floating return which will be paid together with the principal on the maturity date.

The analysis on the fair value measurement of the above financial assets is disclosed in note 24(e).

15 INVENTORIES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Fruits	**328,182**	223,757
Packing materials and low-value consumables	**9,021**	4,569
	337,203	228,326
Less: write-down of inventories	**(2,951)**	(3,724)
	334,252	224,602

(a) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Carrying amount of inventories sold	**12,501,713**	8,663,249
Write-down of inventories	**2,951**	3,724
	12,504,664	8,666,973

16 TRADE AND OTHER RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– third parties	**8,179,203**	3,750,055
– related parties	**20,141**	12,732
Less: losses allowance (note 24(a))	**(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 ("VAT") 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.

16 TRADE AND OTHER RECEIVABLES (continued)

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	RMB'000
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. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 24(a).

Trade receivables of RMB11,658 thousand (2021: RMB104,657 thousand) were pledged for bank loans as at December 31, 2022 (note 19).

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents in the consolidated statements of financial position	**149,177**	239,534

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit before taxation to cash used in operations:

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit before taxation		**1,710,359**	499,535
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	**14,276**	13,049
Disposal loss on property, plant and equipment		**85**	1,497
Amortization of intangible assets	5(c)	**3**	112
Depreciation of right-of-use assets	5(c)	**35,413**	22,399
Impairment losses on trade receivables and other receivables	5(c)	**478,016**	24,781
Finance costs	5(a)	**77,247**	29,134
Net exchange losses		**47,780**	2,561
Share-based payments		**2,611**	–
Changes in the carrying amount of financial instruments issued to investors		**–**	797,150
Changes in fair value of financial assets measured at FVPL	4	**(64)**	(1,464)
Changes in working capital:			
Increase in inventories		**(109,650)**	(125,315)
Increase in trade and other receivables		**(4,320,846)**	(2,233,282)
Increase in trade and other payables		**442,420**	173,773
Cash used in operations		**(1,622,350)**	(796,070)

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Note	Bank loans RMB'000 (note 19)	Lease liabilities RMB'000 (note 20)	Total RMB'000
At January 1, 2022		874,650	53,886	928,536
Changes from financing cash flows:				
Proceeds from new bank loans		4,923,388	–	4,923,388
Repayments of bank loans		(3,592,726)	–	(3,592,726)
Capital element of lease rentals paid		–	(30,671)	(30,671)
Interest element of lease rentals paid		–	(3,838)	(3,838)
Interest paid		(70,167)	–	(70,167)
Total changes from financing cash flows		1,260,495	(34,509)	1,225,986
Exchange adjustments		74,240	(3,429)	70,811
Other changes:				
Increase in lease liabilities from entering into new leases during the year		–	67,361	67,361
Interest expenses	*5(a)*	73,409	3,838	77,247
Total other changes		73,409	71,199	144,608
At December 31, 2022		2,282,794	87,147	2,369,941

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Note	Bank loans and other borrowings RMB'000 (note 19)	Lease liabilities RMB'000 (note 20)	Financial instruments issued to investors RMB'000	Total RMB'000
At January 1, 2021		107,076	11,853	3,327,908	3,446,837
Changes from financing cash flows:					
Proceeds from new bank loans		1,500,857	–	–	1,500,857
Repayments of bank loans		(726,778)	–	–	(726,778)
Capital element of lease rentals paid		–	(19,423)	–	(19,423)
Interest element of lease rentals paid		–	(2,130)	–	(2,130)
Interest paid		(25,924)	–	–	(25,924)
Total changes from financing cash flows		748,155	(21,553)	–	726,602
Exchange adjustments		(7,585)	(982)	–	(8,567)
Other changes:					
Increase in lease liabilities from entering into new leases during the year		–	62,438	–	62,438
Changes in the carrying amount of financial liabilities recognized for preferential rights issued to investors		–	–	797,150	797,150
Reclassification of financial liabilities recognized for preferential rights issued to investors to equity		–	–	(4,125,058)	(4,125,058)
Interest expenses	*5(a)*	27,004	2,130	–	29,134
Total other changes		27,004	64,568	(3,327,908)	(3,236,336)
At December 31, 2021		874,650	53,886	–	928,536

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(d) Total cash outflows for leases

Amounts included in the consolidated statements of cash flows for leases comprise the following:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Within operating cash flows	**4,278**	17,735
Within financing cash flows	**34,509**	21,553
	38,787	39,288

18 TRADE AND OTHER PAYABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables	**679,647**	260,761
Accrued payroll and benefits	**52,239**	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.

18 TRADE AND OTHER PAYABLES (continued)

As at the end of each 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	2021
	RMB'000	RMB'000
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

19 BANK LOANS

At the end of each year, the bank loans were secured as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Current		
– Secured and guaranteed bank loans (i)	**92,570**	147,142
– Guaranteed bank loans (ii)	**244,420**	532,473
– Unsecured bank loans	**1,945,804**	195,035
	2,282,794	874,650

(i) Secured and guaranteed bank loans

As at December 31, 2022, the secured and guaranteed bank loans of RMB92,570 thousand with interest rate at 4.30% per annum were secured by trade receivables of RMB11,658 thousand and were guaranteed by Chongqing Xinhongjiu Supply Chain Management Co., Ltd.

As at December 31, 2021, the secured and guaranteed bank loans of RMB63,938 thousand with interest rate at 2.85% per annum were secured by trade receivables of RMB97,867 thousand and were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying. The secured and guaranteed bank loans of RMB83,204 thousand with interest rate at 3.10% per annum were secured by trade receivables of RMB6,790 thousand and were guaranteed by Mr. Deng Hongjiu, Ms. Jiang Zongying and Chongqing Xinhongjiu Supply Chain Management Co., Ltd.

19 BANK LOANS (continued)

(ii) Guaranteed bank loans

As at December 31, 2022, the guaranteed bank loans of RMB244,420 thousand with interest rate ranged from 3.19% to 4.15% per annum were guaranteed by the Company.

As at December 31, 2021, the guaranteed bank loans of RMB100,138 thousand with interest rate at 4.50% per annum were guaranteed by Mr. Deng Hongjiu. The guaranteed bank loans of RMB96,332 thousand with interest rate at 3.10% per annum were guaranteed by Mr. Deng Hongjiu and the Company. The guaranteed bank loans of RMB336,003 thousand with interest rate ranged from 3.00%-4.90% per annum were guaranteed by Mr. Deng Hongjiu and Ms. Jiang Zongying.

(iii) Bank loans at the end of each year were repayable as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Bank loans		
– Within 1 year	**2,282,794**	874,650

20 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each year:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Within 1 year	**26,803**	19,252
After 1 year but within 2 years	**18,041**	13,776
After 2 years but within 5 years	**36,902**	13,507
After 5 years	**5,401**	7,351
	87,147	53,886

21 SHARE-BASED PAYMENTS

For the year ended December 31, 2022, an employee who resigned from the Company disposed her shares in the Company to Mr. Deng Hongjiu at a pre-determined price. The fair value of shares acquired by Mr. Deng Hongjiu less the consideration paid to the employee at the pre-determined price is recognized as staff costs with a corresponding increase in capital reserve within equity. Share-based payment expenses of RMB2,611 thousand (2021: nil) are recognized as staff costs in the consolidated statement of profit or loss for the year ended December 31, 2022.

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
PRC Corporate Income Tax		
At the beginning of the year	**80,405**	63,824
Provision for income tax for the year	**293,890**	191,720
Income tax paid	**(185,351)**	(175,139)
At the end of the year	**188,944**	80,405
Overseas Corporate Income Tax		
At the beginning of the year	**11,726**	5,202
Provision for income tax for the year	**61,476**	16,936
Income tax paid	**(15,744)**	(10,412)
At the end of the year	**57,458**	11,726
Reconciliation to the consolidated statements of financial position:		
Taxation payable	**246,402**	92,131

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(b) Deferred tax assets and liabilities recognized

The components of deferred tax assets/(liabilities) recognized in the consolidated statements of financial position and the movements during the years are as follows:

Deferred tax arising from	Loss allowance on trade and other receivables RMB'000	Unrealized inter-group profit RMB'000	Fair value change of financial assets measured at FVPL RMB'000	Total RMB'000
At January 1, 2021	5,370	620	(109)	5,881
Credited to profit or loss	971	483	109	1,563
At December 31, 2021 and January 1, 2022	**6,341**	**1,103**	**–**	**7,444**
Credited to profit or loss	**95,917**	**3,636**	**–**	**99,553**
At December 31, 2022	**102,258**	**4,739**	**–**	**106,997**

(c) Deferred tax assets not recognized

In accordance with accounting policy set out in note 1(s), as at December 31, 2022, the Group has not recognized deferred tax assets for cumulative tax losses of RMB24,588 thousand, (2021: RMB42,003 thousand), as it is not probable that future taxable profits against which the losses can be utilized before expiries.

Pursuant to the relevant laws and regulations in the PRC, the unrecognized tax losses at the end of each year will expire in the following years:

	As at December 31,	
	2022 RMB'000	2021 RMB'000
2022	**–**	18
2023	**206**	813
2024	**2,947**	6,352
2025	**4,732**	7,202
2026	**13,386**	27,618
2027	**3,317**	–
	24,588	42,003

23 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.

	Note	Share capital RMB'000	Capital reserves RMB'000	Other reserves RMB'000	PRC statutory reserves RMB'000	Retained earnings RMB'000	Total RMB'000
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 by initial public offering and over-allotment, net of issuance costs	*23(b)*	**14,295**	**475,108**	**–**	**–**	**–**	**489,403**
Equity-settled share-based payment	*21*	**–**	**2,611**	**–**	**–**	**–**	**2,611**
Appropriation to statutory reserves	*23(c)*	**–**	**–**	**–**	**125,554**	**(125,554)**	**–**
At December 31, 2022		**467,369**	**2,204,398**	**–**	**237,443**	**3,145,065**	**6,054,275**

23 CAPITAL AND RESERVES (continued)

(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 by initial public 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.

23 CAPITAL AND RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(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 until the reserve balance reaches 50% of their registered capital.

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. The reserve is dealt with in accordance with the accounting policy as set out in note 1(v).

(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.

23 CAPITAL AND RESERVES (continued)

(e) Capital management (continued)

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

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

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
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 liability-to-asset ratio	**24.3%**	16.1%

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks for which the Group considers to have low credit risk.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2022, 3.7% (2021: 6.7%) of the total trade receivables was due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix and based on past due status.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2022 and 2021:

	As at December 31, 2022		
	Expected loss rate %	Gross carrying amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	2.2%	6,223,564	137,445
1 – 6 months past due	11.1%	1,779,056	197,895
more than 6 months past due	100.0%	196,724	196,724
		8,199,344	532,064

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Trade receivables (continued)

	As at December 31, 2021		
	Expected loss rate %	Gross carrying amount of trade receivables RMB'000	Loss allowance RMB'000
Current (not past due)	0.5%	3,434,745	16,667
1 – 6 months past due	5.5%	305,993	16,793
more than 6 months past due	100.0%	22,049	22,049
		3,762,787	55,509

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Movement in the loss allowance account in respect of trade receivables of the Group during the year is as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
At January 1	**55,509**	30,403
Impairment loss recognized	**476,801**	25,542
Amounts written-off	**(246)**	(436)
At December 31	**532,064**	55,509

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the year of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the year) and the earliest date the Group can be required to pay:

	December 31, 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at December 31, 2022 RMB'000
Bank loans (note 19)	**2,311,981**	**–**	**–**	**–**	**2,311,981**	**2,282,794**
Trade and other payables (note 18)	**767,831**	**–**	**–**	**–**	**767,831**	**767,831**
Lease liabilities (note 20)	**29,685**	**20,053**	**39,283**	**5,838**	**94,859**	**87,147**
	3,109,497	**20,053**	**39,283**	**5,838**	**3,174,671**	**3,137,772**

	December 31, 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amounts at December 31, 2021 RMB'000
Bank loans (note 19)	884,618	–	–	–	884,618	874,650
Trade and other payables (note 18)	325,411	–	–	–	325,411	325,411
Lease liabilities (note 20)	21,141	15,011	15,185	8,176	59,513	53,886
	1,231,170	15,011	15,185	8,176	1,269,542	1,253,947

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, bank loans and lease liabilities. The Group's interest rate profile as monitored by management is set out below:

Interest rate risk

	2022		2021	
	Effective Interest rate	**Amount RMB'000**	Effective Interest rate	Amount RMB'000
Fixed rate financial instruments:				
Lease liabilities	**3.40%**	**(87,147)**	3.76%	(53,886)
Bank loans	**3.19%~4.50%**	**(2,282,794)**	2.90%~4.90%	(874,650)
		(2,369,941)		(928,536)
Variable rate financial instruments:				
Cash at banks	**0.001%~1.725%**	**149,080**	0.0001%~1.725%	239,516
		(2,220,861)		(689,020)

As at December 31, 2022, it is estimated that a general increase or decrease of 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the Group's profit before tax by approximately RMB1,491 thousand (2021: increased or decreased profit before by approximately RMB2,395 thousand) in response to the general increase of decrease in interest rates.

The sensitivity analysis above indicates that instantons change in the Group's profit before tax that would arise assuming that the change in interest rates had occurred at the end of each year and had been applied to those financial instruments held by the Group, which expose the Group to cash flow interest rate risk. The impact on the Group's profit before tax is estimated as an annualized impact on interest expense of such a change in interest rates. The analysis is performed on the same basis as 2021.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk

The Group is exposed to currency risk primarily from cash and cash equivalents and bank loans that are denominated in United States dollars ("USD"). The Group manages this risk as follows:

(i) Exposure to currency risk

The following table details the Group's exposure at the end of each year to currency risk arising from recognized assets or liabilities denominated in a currency other than the functional currencies. For presentation purposes, the amounts of the exposure are expressed in RMB, translated using the spot rate at the end of each year.

	As at December 31,	
	2022	2021
	USD	USD
Exposure to foreign currencies (expressed in RMB'000)		
Cash and cash equivalents	**954**	1,409
Bank loans	**–**	(483,756)
	954	(482,347)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit before taxation that would arise if foreign exchange rates to which the Group has significant exposure at the end of each year had changed at that date, assuming all other risk variables remained constant.

	As at December 31,			
	2022		2021	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit before taxation RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit before taxation RMB'000
Thailand Baht vs USD	**5%**	**48**	5%	(4,711)
	(5%)	**(48)**	(5%)	4,711
RMB vs USD	**5%**	**–**	5%	(19,406)
	(5%)	**–**	(5%)	19,406

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit before taxation measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of each year for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of each year. The analysis is performed on the same basis as 2021.

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the year on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's financial assets that are measured at fair value at the end of each year:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Level 3		
Financial assets measured at FVPL	**1,001**	10,000

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs
Investment in wealth management products	Discount cash flow method	– Interest return rate

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(e) Fair value measurement (continued)

(i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

During the years ended December 31, 2022 and 2021, there were no transfers, or transfers into or out of Level 3. The Group's policy is to recognize transfers between levels of fair value hierarchy as at the end of each year in which they occur.

The fair value of other financial assets is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to interest return rate. As at December 31, 2022, it is estimated that with all other variables held constant, an increase in interest return rate by 1% would have increased the Group's profit before taxation by RMB10 thousand (2021: RMB100 thousand) and an decrease in interest return rate by 1% would have decreased the Group's profit before taxation by RMB10 thousand (2021: RMB100 thousand).

The movements during 2021 and 2022 in the balance of these Level 3 financial assets of the Group at fair value through profit or loss are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Financial assets measured at FVPL		
At January 1	**10,000**	162,729
Payment for purchases	**91,000**	1,353,000
Changes in fair value recognized in profit or loss during the year	**64**	1,464
Redemption	**(100,063)**	(1,507,193)
At December 31	**1,001**	10,000

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortized cost were not materially different from their fair values as at December 31, 2021 and 2022.

25 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Short-term employee benefits	**4,998**	4,506
Retirement scheme contributions	**71**	66
Equity-settled share-based payment expenses	**2,611**	–
	7,680	4,572

Total remuneration are included in "staff costs" (see note 5(b)).

(b) Identify of related parties

Name of party	**Relationship with the Group**
Mr. Deng Hongjiu (鄧洪九)	Chairman and controlling shareholder
Ms. Jiang Zongying (江宗英)	A close family member of Mr. Deng Hongjiu
Mr. Deng Haoji (鄧浩吉)	A close family member of Mr. Deng Hongjiu
Ms. Deng Haoyu (鄧浩宇)	A close family member of Mr. Deng Hongjiu
Alibaba (China) Network Technology Co., Ltd. ("Alibaba China") and its affiliates	Entity that has significant influences over the Group
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	Entity where Mr. Deng Hongjiu had significant influences
Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司)	Entity where an independent non-executive director of the Company is a director

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Significant related party transactions

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Trade related		
Sales of goods to:		
Chongqing Shengzhong Investment Management Co., Ltd. (重慶生眾投資管理有限公司)	**–**	1
Alibaba China and its affiliates	**326,709**	388,767
	326,709	388,768
Purchases of goods from:		
Alibaba China and its affiliates	**900**	1,572

(d) Balances with related parties

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade related		
Amounts due from:		
Alibaba China and its affiliates	**20,141**	12,732
Other receivables:		
Alibaba China and its affiliates	**1,274**	1,445
Amounts due to:		
Chongqing Deyuan Logistics Co., Ltd. (重慶德遠物流有限公司)	**4**	4
Alibaba China and its affiliates	**181**	–
	185	4

25 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Guarantee provided by related parties

As at December 31, 2022, nil bank loans (2021: RMB679,615 thousand) were guaranteed by related parties.

(f) Guarantee provided to a related party

As at December 31, 2022, the Group and Ms. Jiang Zongying provided a joint and several liability guarantee to the controlling shareholder, Mr. Deng Hongjiu amounted to RMB14,790 thousand (2021: RMB14,790 thousand), being the maximum amount disputed by Mr. Deng Hongjiu with a third party.

In January 2023, Mr. Deng Hongjiu settled this dispute and therefore, the above mentioned guarantee was released.

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Note	**2022**	2021
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**24,117**	26,797
Right-of-use assets		**85,103**	52,929
Investments in subsidiaries	*13*	**67,169**	67,169
Other non-current assets		**–**	15
Deferred tax assets		**102,764**	6,094
		279,153	153,004
Current assets			
Inventories		**320,895**	154,523
Trade and other receivables		**8,780,057**	5,004,209
Amounts due from subsidiaries		**22,601**	14,294
Financial assets measured at fair value through profit or loss		**1,001**	10,000
Cash and cash equivalents		**85,469**	215,689
		9,210,023	5,398,715

26 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Current liabilities			
Trade and other payables		**657,752**	214,560
Amounts due to subsidiaries		**464,490**	120,240
Bank loans		**2,038,374**	778,318
Lease liabilities		**25,249**	17,771
Taxation payable		**188,921**	80,378
		3,374,786	1,211,267
Net current assets		**5,835,237**	4,187,448
Total assets less current liabilities		**6,114,390**	4,340,452
Non-current liabilities			
Lease liabilities		**60,115**	33,732
NET ASSETS		**6,054,275**	4,306,720
CAPITAL AND RESERVES			
Share capital	*23(b)*	**467,369**	453,074
Reserves		**5,586,906**	3,853,646
TOTAL EQUITY		**6,054,275**	4,306,720

27 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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

(Expressed in RMB, unless otherwise stated)

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2022, the directors consider the immediate and ultimate controlling party to be Mr. Deng Hongjiu, Ms. Jiang Zongying, Chongqing Hezhong Hongjiu LLP and Chongqing Heli Hongjiu LLP. Chongqing Hezhong Hongjiu LLP and Chongqing Heli Hongjiu LLP are two limited liability partnership of which Mr. Deng Hongjiu is the general partner.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standards and interpretations which are effective for the accounting year beginning from January 1, 2023 and which have not been adopted in the consolidated financial statement as follows:

	Effective for accounting periods beginning on or after
IFRS 17, Insurance contracts and related amendments	*January 1, 2023*
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of accounting policies	*January 1, 2023*
Amendments to IFRS 4, Extension of the temporary exemption from applying IFRS 9	*January 1, 2023*
Amendments to IAS 8, Definition of accounting estimates	*January 1, 2023*
Amendments to IAS 12, Deferred tax related to assets and liabilities arising from a single transaction	*January 1, 2023*
Amendments to IAS 1, Classification of liabilities as current or non-current	*January 1, 2024*
Amendments to IAS 1, Non-current Liabilities with Covenants	*January 1, 2024*
Amendments to IFRS 16, Lease Liability in a Sale and Leaseback	*January 1, 2024*
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	*To be determined*

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

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
"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"	April 24, 2023, being the latest practicable date for the purpose of ascertaining certain information in this report
"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 year from January 1, 2022 to December 31, 2022
"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
"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