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Chongqing Hongjiu Fruit Co., Limited

重慶洪九果品股份有限公司

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

(Stock Code: 6689)

INSIDE INFORMATION

DELAY IN PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT POSTPONEMENT OF BOARD MEETING ESTABLISHMENT OF INDEPENDENT INVESTIGATION COMMITTEE AND SUSPENSION OF TRADING

This announcement is made by Chongqing Hongjiu Fruit Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

Reference is made to the announcement of the Company dated March 19, 2024, in relation to, among others, the possible delay in publication of the Annual Results and certain issues raised by the auditors of the Company during the audit process (the “**Matters**”).

DELAY IN PUBLICATION OF ANNUAL RESULTS

Pursuant to Rule 13.49(1) of the Listing Rules, the Company is required to publish an announcement for the annual results of the Group for the year ended December 31, 2023 (the “**Annual Results**”) on a date not later than three months after the end of the financial year of the Company, i.e. on or before March 31, 2024. Pursuant to Rule 13.49(2) of the Listing Rules, the preliminary announcement in relation to the Annual Results shall be based on the Group's consolidated financial statements for the financial year ended December 31, 2023 which shall have been agreed with the Company's auditors (the “**Auditors**”).

The Board of the Company (the “**Board**”) hereby informs the shareholders of the Company (the “**Shareholders**”) and potential investors of the Company that the Company will not be able to publish the Annual Results on or before March 31, 2024 in accordance with Rules 13.49(1) and (2) of the Listing Rules as additional time is required for the Company to provide all information requested by the Auditors for the audit of the Annual Results and address the Matters raised by the Auditors during the audit process.

Matters raised by the Auditors

Matters raised by the Auditors are summarized as follows:

The Auditors noted that according to the unaudited consolidated financial statements of the Company, as of December 31, 2023, the balance of prepayments of the Group amounted to approximately RMB4.47 billion. In the fourth quarter of 2023, the Group paid approximately RMB3.42 billion to certain suppliers (the “**Certain Suppliers**”). The balance of prepayments paid by the Group to the Certain Suppliers as of December 31, 2023 amounted to approximately RMB3.13 billion. The Auditors are of the view that most of the Certain Suppliers are new counterparties of the Company in 2023 without historic transactions, among which, (i) the registered capital of some of Certain Suppliers are less than the balance of prepayments paid to them in 2023; (ii) the social insurance scheme participants of some of Certain Suppliers are nil based on information on TianYanCha.com; and (iii) the Company made prepayment of approximately RMB1.52 billion to the Certain Suppliers in January 2024, and received products delivered by them of approximately RMB405 million in the same month. The Auditors also noted that as of January 31, 2024, the balance of prepayments of the Group to the Certain Suppliers was approximately RMB4.2 billion.

In relation to the Matters, the Auditors requested further information and explanations from the Company, including complete accounting records and documents in relation to arrangement on certain prepayments, and detailed working capital forecast in relation to the going concern, and recommended the audit committee of the Company (the “**Audit Committee**”) to establish an independent investigation committee to investigate the commercial rationale of the above arrangement on certain prepayments, and to consider engaging an independent third party to assist in such investigation.

Preliminary view of the Company

In view of the Matters, the Company would like to provide further information as follows:

In line with the fresh fruit industry practice, the Group makes prepayments to suppliers in order to secure stable supply of high-quality fruits. When determining the Group’s prepayments to its suppliers, the Group generally takes into account various factors, such as the market conditions, the trend of products demands, the pricing changes, the Group’s financial conditions, the relationship with the supplier, the product quality, supplier reputation, scale of production, operational experience, stable year-round supply volumes, food safety controls as well as price stability.

Post of the COVID-19 pandemic, the fruit industry is poised for growth in 2023 while competition has increased dramatically. We have been committed to expanding our suppliers network in order to maintain our competitiveness. In line with the common fresh fruit industry practices, we typically make prepayments to our suppliers three to six months in advance to secure sufficient supply of high-quality fruits, with delivery of fruit products generally scheduled to commence from the third month following the prepayments.

The increase in the balances of the prepayments of the Group in the fourth quarter of 2023 as compared to the same period of the previous year was mainly in line with our business growth and expansion plan. Also, Chinese New Year is usually the peak season for the sales of the fruit products, and the Company had to secure sufficient high quality fruit products in the fourth quarter of 2023 in advance for the 2024 Chinese New Year which is the first Chinese New Year since the end of the pandemic Covid-19. Further, based on the operation plan for 2024, the Company has to increase the procurement volume to meet the demand of sales growth and reserve sufficient supply of fruits for the second and third quarters of 2024, laying a solid foundation for its operations and development in 2024.

The Company is and will continue to work closely with the Auditors to provide the necessary information and documents requested, as well as maintain active dialogues with the Audit Committee and the Auditors with a view to resolving all outstanding matters and completing the audit of the Annual Results as soon as possible. The expected date of the publication of the Annual Results will need to be further agreed with the Auditors and a separate announcement will be made by the Company as and when appropriate.

Rule 13.49(3) of the Listing Rules provides that where an issuer is unable to issue its preliminary results in accordance with Rules 13.49(1) and (2) of the Listing Rules, it must announce its results based on the financial results which have yet to be agreed with the auditor (so far as the information is available). The Board, after due and careful consideration, is of the view that it would not be appropriate for the Company to publish the unaudited management accounts of the Group for the year ended December 31, 2023 at this stage in order to avoid unnecessary confusion to the public in the interim period given the above-mentioned issues.

DELAY IN PUBLICATION OF THE 2023 ANNUAL REPORT

Pursuant to Rule 13.46(2)(a) of the Listing Rules, the Company is required to publish its annual report for the year ended December 31, 2023 (the “**2023 Annual Report**”) no later than four months after the end of the financial year (i.e., on or before April 30, 2024). Due to the delay in the publication of the Annual Results, the Company will also be unable to publish its 2023 Annual Report within four months of the financial year end (i.e. on or before April 30, 2024) as required under Rule 13.46(2)(a) of the Listing Rules.

ESTABLISHMENT OF INDEPENDENT INVESTIGATION COMMITTEE

The Board wishes to inform the Shareholders and potential investors of the Company that an independent investigation committee (the “**Investigation Committee**”) initially comprising Ms. Xu Kemei, Mr. Peng Song and Mr. An Rui as members, being all independent non-executive Directors, has been established for the purposes of, among other things, investigating the Matters including the internal control deficiencies of the Group, if any (the “**Investigation**”). The Investigation Committee is currently in the course of engaging an independent investigation consultant (“**Investigation Consultant**”) to assist with and conduct the Investigation.

As at the date of this announcement, the business operations of the Group continued as normal and unaffected. The Company will closely monitor and make assessment on possible impact of trading suspension in the H shares of the Company to the business operations of the Group and will keep the Shareholders informed of any further material developments in connection with the above, including but not limited to, the progress and findings of the Investigation, by way of further announcement(s) as and when appropriate and in accordance with the Listing Rules.

POSTPONEMENT OF BOARD MEETING

Given the publication of the Annual Results will be delayed, the meeting of the Board for the purpose of, among other matters, considering and approving the Annual Results and its publication, will also be postponed.

CONTINUED SUSPENSION OF TRADING

Trading in the H shares of the Company on the Stock Exchange was halted with effect from 1:28 p.m. on Wednesday, March 20, 2024 and will continue to be suspended, pending the publication of the Annual Results.

The Shareholders and potential investors should exercise caution when dealing in the H shares or other securities of the Company.

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

Chongqing, the PRC
March 28, 2024

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