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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)

CHANGE IN USE OF PART OF PROCEEDS

Reference is made to the prospectus (the “**Prospectus**”) of Chongqing Hongjiu Fruit Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated August 24, 2022 in relation to the global offering (the “**Global Offering**”), the 2022 interim report published by the Company on September 28, 2022 and the announcement dated September 28, 2022 on the partial exercise of the Over-allotment Option, stabilizing actions and end of stabilization period (the “**Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Prospectus.

Use of Proceeds Initially Planned

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the Announcement, the Company intended to use the proceeds from the Global Offering (the “**Proceeds**”) for the following purposes:

- Approximately 45% will be used over the next three years for the improvement of fruit supply chain of the Company;
- Approximately 22% will be used over the next three years for fruit brand building and product promotion;
- Approximately 16% will be used over the next three years for digital system upgrade and global fruit industry internet platform development;
- Approximately 7% will be used over the next three years for repayment of bank loans;
- Approximately 10% will be used for replenishing working capital needs and other general corporate purposes.

Change in Use of Proceeds

The Company's H Shares have been listed on the Stock Exchange since September 5, 2022 and the Over-allotment Option was partially exercised on September 28, 2022. The Company issued a total of 14,294,900 new Shares in connection with the Global Offering and the partial exercise of the Over-allotment Option at an issue price of HK\$40.00 per Share. The total Proceeds raised by the Company in connection with the issuance of new Shares pursuant to the Global Offering and the partial exercise of the Over-allotment Option amounted to HK\$571.80 million; after deducting the underwriting fees and the relevant transaction fees, the actual Proceeds amounted to HK\$559.13 million, and the amount transferred to the Renminbi settlement and pending payment account at the then current exchange rate was RMB509.01 million.

The Board has resolved to change the use of the above Proceeds in the following manner:

Unit: RMB in million

Use of Proceeds	Allocation of Proceeds as disclosed in the Prospectus and the Announcement		Allocation of Proceeds after the change	
	Amount	Percentage	Amount	Percentage
Improvement of fruit supply chain	229.06	45.0%	342.99	67.3%
Fruit brand building and product promotion	111.98	22.0%	80.35	15.8%
Digital system upgrade and global fruit industry internet platform development	81.44	16.0%	0.77	0.2%
Repayment of bank loans	35.63	7.0%	34.00	6.7%
Replenishing working capital needs and other general corporate purposes	50.90	10.0%	50.90	10.0%
Total	509.01	100.0%	509.01	100.0%

Reasons for the Change in Use of Proceeds

Since the listing of the H Shares of the Company in September 2022, the Company has been encountering a fast-growing market opportunity and the competitive landscape in the industry has become more intensified. According to CIC, the market size of China's fresh fruit retail market has increased from RMB939.0 billion in 2017 to RMB1,336.9 billion in 2021, and is expected to further grow to RMB2,071.4 billion in 2026, representing a CAGR of 9.2%. In particular, the Company's core fruit categories, such as durian, is expected to grow at a CAGR of 20.1% from 2021 to 2026, which is the fastest-growing category among fruit categories with a revenue of tens of billions in China's fresh fruit retail market. In addition, the Company faces significant market

opportunities on both the demand side and the supply side. On the demand side, with the overall recovery of China's consumption in 2023, retail channels such as supermarkets and community fruit stores will see an observable increase in customer traffic, while emerging high-growth channels such as live e-commerce will also expand their sales categories to include imported and domestic high-quality fruit segments, and the Company is encountering strong demand from downstream customers. On the procurement side, the customs clearance process for imported fruits has been smooth since 2023, and more domestic fruits are being produced in an intensive and high quality manner under the strategy of "rural revitalization" (鄉村振興), which provides an excellent external environment for the Company to further boost its planning for the production side of fruits.

In order to further seize business development opportunities, and taking into account that both fruit brand promotion and marketing and digital system development and upgrading are long-term investments, part of the Proceeds initially allocated for such purpose may not be fully utilized in the short term, the Board believes that reallocating part of the Proceeds to the improvement of the supply chain, the expansion of upstream procurement network of the Company and penetration, including but not limited to increasing the number of domestic and foreign cooperative suppliers, strengthening the cooperative relationship with existing domestic and foreign high-quality suppliers, and directly purchasing from domestic and foreign high-quality suppliers are conducive to ensure access to continuous high-quality supply and advance access to more high-quality fruits.

The Board believes that the change in the use of Proceeds is in line with the Company's long-term strategy and development plan, and will help improve the efficiency of the use of Proceeds and reduce financial costs, thereby facilitating the business development of the Company. The Board is of the view that the above changes and adjustments will not have a material adverse impact on the Company's existing business and production and operation, will not harm the interests of the Company's shareholders, especially the interests of minority shareholders, and is in the best interests of the Company and its shareholders as a whole. The Board also confirms that there has been no material change in the nature of the Group's business as set out in the Prospectus.

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

Chongqing, the PRC
March 14, 2023

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, Mr. Dong Jiaxun and Mr. Chen Tongtong as non-executive Directors, and Ms. Xu Kemei, Ms. Liu Xiuqin, Mr. An Rui and Mr. Liu Anzhou as independent non-executive Directors.