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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 ANNOUNCEMENT LATEST OPERATIONAL UPDATE FOR THE FIRST THREE QUARTERS OF 2023**

This announcement is made by the board of directors (the “**Board**”) of Chongqing Hongjiu Fruit Co., Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**we**”) pursuant to the Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company hereby announces the latest operational update of the Group for the nine months ended September 30, 2023 (“**Q3 2023**” or the “**Period**”). Financial data in this announcement is only used to illustrate the latest operational update and is unaudited.

By leveraging the effective credit management measures for downstream customers for Q3 2023, the active expansion of emerging retail business opportunities with short credit terms including live streaming e-commerce and integrated e-commerce, the upgrading of the Company’s brand image and the extensive implementation of low-cost and high-exposure offline promotion, we achieved a rapid growth in overall results and positive operating cash flow during the Period.

#### **Revenue and Net Profit**

The Group’s revenue for Q3 2023 increased by 26.4% year on year to approximately RMB13,427.1 million. The year-on-year growth of the Group’s net profit for Q3 2023 was in line with the Group’s revenue.

Key drivers for growth of the Group’s revenue and net profit and the future outlook are as follows:

**I. Product side: The matrix effect of core products was gradually strengthened, and more business growth curves brought by single products were created. Together with the supply strength of “full-grade, full-category and full-region”, the reliance of downstream customers on the Company was enhanced**

In Q3 2023, the revenue of the Six Core Products<sup>1</sup> increased by 30.6% year on year to approximately RMB6,524.5 million, which was the main driving force for our revenue growth. Among them, the sales of grapes increased by approximately 126% as compared with the same period of last year, and the sales amount of durian increased by approximately 26% as compared with the same period of last year. It can be seen that we are replicating the successful development track of durian products in more products and gradually forming a strong and diversified product matrix to diversify operational risks and better meet the comprehensive needs of downstream customers.

In Q3 2023, the revenue of non-core products rose by over 20% year on year, among which, domestic high-end fruits such as famous products of the “Hongjiu Fengshanghao (洪九奉上好)” Fengjie yellow peach (奉節黃桃), the “Mi Tian Da Sheng (彌天大聖)” Guichang kiwi (貴長彌猴桃), also received excellent feedback from end consumers. Therefore, with the contribution of the synergy and reinforcement between non-core products and our Six Core Products, the Company has continuously enhanced the supply capacity of “all-grade, all-category, and all-region”, attracted more downstream customers to cooperate with us, enhanced their dependence on the Company, and created more business growth curves brought by single products.

In addition, our all-round development tendency at the single-product level is also conducive to expanding the depth and breadth of our cooperation with upstream growers, accelerating the launch of more quality fruits with features from the places of origin, reducing procurement costs, and thus forming a virtuous business cycle.

**II. Channel side: Newly involving in the e-commerce sector, we deeply explored the downstream store traffic resources and the fan effect arose from brand marketing campaigns, formed “online and offline” mutual drainage, and extended the “end-to-end” model to the C-end customer base in a “light asset and low cost” manner**

***Online Business***

Since the preparation and launch of our e-commerce business at the beginning of 2023, we have been operating flagship stores on Tmall, Douyin, Kuaishou, Pinduoduo and other platforms. We drive consumers to our online flagship stores mainly through traffic exposure methods such as live promotions and interaction with C-end customers on Douyin platform, marketing on Xiaohongshu and KOL (Key Opinion Leader) livestreaming. Through accurate product selection insights, comprehensive after-sales services and the product control and fulfillment capabilities built up over the years through the “end-to-end” model of the Company, we have been able to provide consumers with a better consumer experience, thereby increasing our sales in emerging retail channels.

<sup>1</sup> Note: for the purpose of this announcement, refers to durian, mangosteen, longan, dragon fruit, cherry and grapes

## ***Offline Promotion***

In 2023, we also launched comprehensive offline branding campaigns with high exposure in Chongqing, Shanghai and Hong Kong, etc., such as the “2023 Durian Freedom Festival”, the “Jinxiuheshan, Fengshanghaopin (錦繡河山，奉上好品)” exhibition and picking experiential activity, and participating in the Asia Fruit Logistica as an official partner. At the same time, we have equipped promotional staff and upgraded visual display programs in our downstream cooperative supermarkets to enhance brand stickiness and continue to strengthen the positive effect of “online and offline” mutual attraction, so as to extend the “end-to-end” model to the C-end customer base in an “asset-light, low-cost” manner.

## **Cash Flows of Operating Activities**

In Q3 2023, the Group’s operating activities recorded net cash inflows of approximately RMB26.9 million, compared with net cash outflows from operating activities in the same period of last year.

Key drivers for the turnaround of cash flows of the Group’s operating activities and the outlook are as follows:

### **I. The initial effect of “precise, personalized and structured” credit management accelerated the elimination of the adverse impact of the pandemic on accounts receivable**

In view of the impact of the pandemic on certain customers in 2022 with varying degrees of extension to 2023, the payment cycle between such customers and the Group has been extended. As of September 30, 2023, certain accounts receivable arising before December 31, 2022 (“**Long-aged Accounts Receivable**”) have not been recovered. Considering that while the COVID-19 pandemic has ended at present, the Group has the operating space to flexibly adjust its business in the macro environment, therefore, in 2023, we actively adjusted the implementation policy of credit management for downstream customers. We adopted a series of “precise, personalized and structured” control means, such as gradually tightening the credit limit for specific downstream customers after individual in-depth analysis of customers, increasing credit review links, enhancing arrears collection efforts, actively expanding new customers to disperse credit risks and empowering businesses according to the specific conditions of different customers, to accelerate the collection of Long-aged Accounts Receivable.

### **II. Cash flows indicators were utilized to guide the channel development strategy. The proportion of sales of the channels and customers with “short billing terms” was expected to be increased in an orderly manner**

Since the beginning of 2023, we have evaluated the trends of macroeconomic and upstream and downstream industries in the context of the Company’s long-term development goals, increased the weighted proportions of cash flows indicators in the development strategy, and adjusted downstream channel planning accordingly to seek the best balance between performance growth and steadiness of cash flows.

Taking into account the characteristics of the “short billing terms” of e-commerce business, we continued to enhance the sales scale of emerging retail channels by enlarging the layout of live e-commerce and integrated e-commerce, and actively conducted sales to community property owners in collaboration with certain well-known property management and community service companies. At the same time, we will continue to focus on strengthening our cooperation with other customers with “short billing terms” characteristics in various channels to achieve our long-term development objectives.

**The information contained in this announcement is only based on a preliminary review of unaudited consolidated management accounts of the Group and information currently available to the Board, and is not based on any figure or information which has been audited or reviewed by the independent auditors of the Company or the audit committee of the Board. Data contained in this announcement may be subject to change or adjustment. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares 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  
October 23, 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.*