

Stock Code: 300999

Stock Name : Arawana

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## **Yihai Kerry Arawana Holdings Co., Ltd Announces that a Subsidiary has Received a Criminal Indictment**

**The Company and all members of the Board of Directors guarantee that the information disclosed is true, accurate and complete, and there are no false records, misleading statements or material omissions.**

Yihai (Guangzhou) Oils & Grains Industries Co., Ltd (hereinafter referred to as “Guangzhou Yihai”), a subsidiary of Yihai Kerry Arawana Holdings Co., Ltd. (hereinafter referred to as “the Company”), received a criminal indictment numbered as “淮检刑诉（2023）16” (hereinafter referred to as “the Indictment”) on January 11, 2024 from the People's Procuratorate of Huaibei City. The Company hereby announces the relevant information as follows:

### **1. Brief of the case**

#### 1) The parties

- a) Prosecuting Authority: People's Procuratorate of Huaibei City (“The Procuratorate”)
- b) Defendant: LIU Degang (former general manager of Guangzhou Yihai. Guangzhou Yihai has appointed a new General Manager pending the final effective judgment of the judicial authorities as LIU Degang is currently unable to perform his duties due to the compulsory measures taken by Anhui Public Security Bureau.)
- c) Defendant Unit: Guangzhou Yihai (the help offender)

#### 2) Basic information

The Indictment alleges that: between 2008 and 2014, Guangzhou Yihai, acting as an intermediary warehouse, entered into a “Transit Agreement” with Anhui Huawen International Trade Co., Ltd (hereinafter referred to as “Anhui Huawen”) and Yunnan Huijia Import and Export Co., Ltd. (hereinafter referred

to as “Yunnan Huijia”) for the storage of palm oil imported by Anhui Huawen on behalf of Yunnan Huijia. ZHANG Lihua, the head of Yunnan Huijia, bribed Wang Min, the then Chairman of Anhui Huawen, and Wang Xiaohu, the then deputy general manager and finance director of Anhui Huawen, in order to induce them to agree to change the agreed transaction model from “payment before delivery” to “delivery before payment”. Subsequently, ZHANG Lihua violated his agreement with Wang Min in order to obtain control over the goods. He employed various means including falsified account statements to conceal the fact that palm oil stored in both Guangzhou Yihai's warehouse and other warehouses had already been sold. From March 2012 until end-December 2014, ZHANG Lihua bribed HAN Qi - a salesperson at Anhui Huawen - who collaborated with employees from Yunnan Huijia, using forged notices for transfer of ownership rights. Simultaneously, employees from Yunnan Huijia provided HAN Qi with account statements bearing counterfeit seals from both Guangzhou Yihai and other warehouse units. HAN Qi subsequently submitted these account statements to Anhui Huawen's finance department so that recorded quantities of palm oil stored matched with those indicated in said account statements.

The Indictment also alleges that: the employees of Guangzhou Yihai - YU Ping and LIU Degang accepted bribes from ZHANG Lihua and others, had assisted Yunnan Huijia in (1) obtaining ownership rights through forged notices for transfer of ownership rights; (2) manipulating on-site inventory verification conducted by Anhui Huawen, and (3) selling the aforementioned palm oil from Yunnan Huijia to Guangzhou Yihai.

The Procuratorate alleges accordingly that Yunnan Huijia failed to fully compensate Anhui Huawen after taking the goods in advance, resulting in direct economic losses of 3.23 billion yuan and indirect losses of 2.015 billion yuan to Anhui Huawen. Among these losses, 1.881 billion yuan in direct

economic losses and 1.167 billion yuan in indirect losses were caused by the collaboration between Guangzhou Yihai and LIU Degang during the commission of the crime. Therefore, Yunnan Huijia, ZHANG Lihua, and employees of Yunnan Huijia are charged with contract fraud. Additionally, it is alleged that Guangzhou Yihai and LIU Degang collaborated with Yunnan Huijia, ZHANG Lihua and others and are help offenders to the crime of contract fraud. The Procuratorate also claims that ZHANG Lihua bribed LIU Degang from 2009 to 2013 and this constitutes an offence by LIU Degang of a non-public official accepting bribery.

**2. The defense lawyer engaged by Guangzhou Yihai and experts consulted are of the unanimous opinion that Guangzhou Yihai's actions do not constitute any corporate crime.**

In response to the facts and accusation that had been alleged in the Indictment, Guangzhou Yihai engaged a defense lawyer to comprehensively review and duplicate all the case files, according to which, the defense lawyer issued a formal legal opinion to the case handling authority. Guangzhou Yihai also consulted the opinions of domestic leading criminal law experts. Both the defense lawyers and the experts unanimously agree that the actions of Guangzhou Yihai do not constitute any corporate crime. The main opinions of the defense lawyer are as follows:

- 1) The transaction between Anhui Huawen and Yunnan Huijia was in essence a financing trade.

In the actual performance of the contract, Anhui Huawen and Yunnan Huijia had not performed according to the agreed term of “payment before delivery”, but instead changed it to “delivery before payment”. Anhui Huawen had known about the change in advance and reached an agreement with Yunnan Huijia. During the transfer of the rights to the goods and the verification of inventory, there had been very close cooperation between the personnel of Anhui Huawen and Yunnan Huijia. The cooperative behavior includes forging documents for the transfer of the rights to the goods and inventory documents

and passing off forged documents for the transfer of the rights to the goods and inventory documents. The personnel of Anhui Huawen were aware throughout that the palm oil was in the possession of and controlled by Yunnan Huijia before payment, and they did not fall into any error of cognition.

- 2) Guangzhou Yihai had been always strictly implementing the warehousing and transit of goods or the transfer of the rights to the goods in accordance with the terms of the contract.

Guangzhou Yihai had regularly sent “confirmation documents of inventory” containing the actual inventory quantity to Anhui Huawen by mail or notarized mail, thus fulfilling its duty of care and duty to inform as an intermediary.

- 3) The prices of palm oil purchase and sale between Guangzhou Yihai and Yunnan Huijia were all at fair market prices.

Guangzhou Yihai (during the performance of the Transit Agreement entered into with Anhui Huawen and Yunnan Huijia) fully complied with common trade practices and the terms of the contract. Guangzhou Yihai did not obtain any improper benefits from its conduct.

- 4) Guangzhou Yihai had not been aware of the arrangements between Yunnan Huijia and Anhui Huawen with respect to the settlement of their transactions.

Guangzhou Yihai had not been aware of the arrangement between Yunnan Huijia and Anhui Huawen with respect to the settlement of their transactions. Guangzhou Yihai did not have any intention to help Yunnan Huijia defraud Anhui Huawen of the financing trade proceeds for palm oil, and had not engaged in any act that deceived the commercial personnel of Anhui Huawen. According to relevant Chinese laws and regulations, the actions of Guangzhou Yihai do not constitute any crime.

**3. Guangzhou Yihai does not agree with the facts and allegations in the Indictment, nor does it agree that the losses described in the Indictment have a causal relationship with Guangzhou Yihai's conduct.**

All transactions conducted by Guangzhou Yihai in the tripartite cooperation adhere to standard trading practices and contractual agreements. Guangzhou Yihai had duly paid the full price for the palm oil purchased from Yunnan Huijia as per the contract at a reasonable market price, without obtaining any improper benefits or engaging in fraudulent activities against Anhui Huawen. Therefore, Guangzhou Yihai should not be held responsible for the losses mentioned in the Indictment. Guangzhou Yihai will actively defend its rights to protect the legal interests of the company and all shareholders.

1) The procedures and transfer of risk of the goods released from the warehouse are clearly prescribed in the Transit Agreement.

Yunnan Huijia started to carry out palm oil import business with Anhui Huawen from 2008 with Anhui Huawen acting as the agent and Yunnan Huijia as the principal. In this connection, the two parties signed import agency agreements, and Anhui Huawen signed import contracts with foreign suppliers designated by Yunnan Huijia. According to the import agency agreements, Yunnan Huijia shall pay 5% or 10% of the total value of the purchase price as deposit to Anhui Huawen within two days after the signing of the import contracts. Anhui Huawen is responsible for remittances, and Yunnan Huijia shall pay the balance of the purchase price before Anhui Huawen makes the remittances. Upon arrival at the port, palm oil will be transferred to Guangzhou Yihai's warehouse or other third-party warehouses designated by Yunnan Huijia. Thereafter, Yunnan Huijia, Guangzhou Yihai and Anhui Huawen signed the Transit Agreement. According to which, Guangzhou Yihai can release the goods with Anhui Huawen's letter of authorization to pick up the goods or according to a notice of transfer of the goods received by facsimile, and the risk of the discharge of the good through facsimile would be borne by Anhui Huawen. It is also stipulated that the originals of an authorization

letter to pick up the goods or the notice of transfer of the goods shall be mailed to Guangzhou Yihai within two working days after the facsimile.

- 2) The change in the transaction mode of payment and delivery and the falsification of the documents for the transfer of goods between Anhui Huawen and Yunnan Huijia were achieved by the joint cooperation between both parties, without any knowledge of Guangzhou Yihai.

In order to induce Anhui Huawen to agree to change the transaction mode from “payment before delivery” to “delivery before payment”, ZHANG Lihua, the actual controller of Yunnan Huijia, repeatedly bribed WANG Min, the then chairman and general manager of Anhui Huawen, and WANG Xiaohu, the then deputy general manager and finance director of Anhui Huawen. In addition, from 2008 to 2014, Yunnan Huijia bribed to HAN Qi, who served as palm oil business manager of Anhui Huawen, and with the help of HAN Qi through forged transfer notice of the goods, forged signatures of HAN Qi and the company seal of Anhui Huawen, transferred the ownership of the goods transiting in Guangzhou Yihai. After July 2014, Anhui Huawen suspended its business with Yunnan Huijia because Yunnan Huijia was unable to pay the deposit and payment of goods.

- 3) Guangzhou Yihai has performed all the examination procedures strictly in accordance with the contract, and Anhui Huawen never raised any dispute.

Guangzhou Yihai's staff has fulfilled the obligation of prudent verification as a transit party during the process of transfer of goods rights, actively contacted HAN Qi, the designated contact person of Anhui Huawen, and had obtained HAN Qi's confirmation. At the same time, Guangzhou Yihai had also regularly mailed inventory confirmation sheets to Anhui Huawen. Anhui Huawen had never raised any dispute to Guangzhou Yihai regarding the transfer of the legal title of goods and the inventory situation and had repeatedly forged false inventory confirmation slips to deal with audits of relevant auditors together with Yunnan Huijia. During the period of more than seven years from July 2014 to December 2021, Anhui Huawen never claimed for the delivery of

goods from Guangzhou Yihai, and there had not been any civil arbitration or litigation that had been raised against Guangzhou Yihai.

The Company belongs to one of the Fortune Global 500 enterprises, Wilmar International Limited (“Wilmar”), which is the first patriotic overseas Chinese enterprise groups that invested in China since China’s reform and opening up. Wilmar has invested in a large number of grains, oil, food processing, research and development projects in China over the decades. The Company has actively engaged in public welfare and philanthropy and has won the “China Charity Award” conferred by the state government four times. The Company has long attached importance to compliance operations, and believes that the judicial authorities will hear the case fairly and protect the legitimate rights and interests of Guangzhou Yihai.

The Company also believes that the People's Court will make a fair judgment based on the facts and laws in response to the allegation made by Prosecuting Authority against LIU Degang for the crime of accepting bribes.

**4. Whether there are other undisclosed litigation and arbitration matters.**

As of the date of this announcement, the Company and its subsidiaries have no other significant litigation and arbitration cases that should be disclosed but have not been disclosed.

**5. The potential impact of the litigation and arbitration announced herein on the Company's profit for the current period or profit after the current period.**

We are unable to evaluate the impact on the Company's profit for the current period or future profits until legal proceedings have concluded as the case has not been heard yet and in any case the Company does not agree with the facts alleged in the Indictment. At present, the Company and its subsidiaries are operating normally. The Company will pay continuous attention to the subsequent progress of the above

related matters and fulfill its information disclosure obligations in a timely manner.  
Investors are advised to invest rationally and pay attention to investment risks.

**6. Reference**

- 1) The Indictment;
- 2) Other documents required by Shenzhen Stock Exchange.

It is hereby announced.

Yihai Kerry Arawana Holdings Co., Ltd

12 January 2024