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## Shenzhen Pagoda Industrial (Group) Corporation Limited

深圳百果園實業(集團)股份有限公司

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

(Stock Code: 2411)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2024

#### FINANCIAL HIGHLIGHTS

The table below sets forth certain key financial information of the Group for the periods indicated.

	<u>Six Months Ended June 30,</u>		<u>Period-over-</u>
	<u>2024</u>	<u>2023</u>	<u>period</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<u>Change</u>
			<i>%</i>
Revenue <sup>(1) (2)</sup>	<b>5,594,124</b>	6,294,316	<b>(11.1)</b>
Gross profit	<b>618,508</b>	712,532	<b>(13.2)</b>
Profit before income tax	<b>99,263</b>	272,480	<b>(63.6)</b>
Profit attributable to owners of the Company	<b>88,506</b>	260,807	<b>(66.1)</b>
Basic and diluted earnings per share			
Basic and diluted earnings ( <i>RMB cents per share</i> )	<b>5.83</b>	16.51	<b>(64.7)</b>

(1) The majority of the Group's revenue was derived from sales of fruits and other food products. For the six months ended June 30, 2023 and 2024, revenue from sales of fruits and other food products amounted to RMB6,117.2 million and RMB5,435.7 million, respectively, accounting for approximately 97.2% and 97.2% of the Group's total revenue for the six months ended June 30, 2023 and 2024, respectively. The remaining revenue was derived from royalty and franchising income, membership income and others.

(2) The Group mainly distributes its products through offline store network, comprising franchised stores supervised by itself, franchised stores supervised by its regional dealers, and a limited numbers of self-operated stores. For the six months ended June 30, 2023 and 2024, aggregate revenue from sales of products contributed by franchised stores amounted to RMB4,732.1 million and RMB4,011.8 million, respectively, accounting for approximately 75.2% and 71.7% of the Group's total revenue for the six months ended June 30, 2023 and 2024, respectively.

## OPERATIONAL HIGHLIGHTS

The table below sets forth the Group’s total number of franchised stores and self-operated stores as of the dates indicated.

	As of June 30,	
	2024	2023
<b>Franchised stores</b>		
Franchised stores supervised by the Group	4,707	4,795
Others	1,304	1,150
<b>Sub-total</b>	<b>6,011</b>	5,945
<b>Self-operated stores</b>	<b>14</b>	13
<b>Total</b>	<b>6,025</b>	<b>5,958</b>

The table below sets forth certain other key operational information of the Group for the periods or as of the dates indicated.

	As of/Six Months Ended June 30,	
	2024	2023
<b>Gross retail sales (RMB’000)<sup>(1)</sup></b>	<b>6,748,479</b>	7,927,247
<b>Overseas direct sales (RMB’000)<sup>(2)</sup></b>	<b>141,027</b>	109,001
<b>Number of members (’000)</b>	<b>84,741</b>	79,314
<b>Number of paying members (’000)</b>	<b>1,071</b>	1,141
<b>Number of self-owned product brands</b>	<b>42</b>	35

(1) Gross retail sales for the relevant periods represent the aggregate of (i) gross store retail sales, which represent total sales amount of retail stores after discounts or rebates, and (ii) gross online retail sales, which represent total value of goods sold via all online distribution channels of the Group. While being an useful performance indicator, gross retail sales are not equivalent to the Group’s revenue for the relevant periods.

(2) Overseas direct sales for the relevant periods represent the total sales amount to overseas 2B customers which are directly counted for as the Group’s revenue for the relevant periods.

The board (the “**Board**”) of directors (the “**Directors**”) of Shenzhen Pagoda Industrial (Group) Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024. The Interim Results were prepared based on the unaudited interim condensed consolidated financial information of the Group, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”), which include all HKFRS, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Interim Results have also been reviewed by the audit committee of the Board (the “**Audit Committee**”).

In this announcement, “we”, “us”, and “our” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

## **PERFORMANCE REVIEW**

### **Market Overview**

In the first half of 2024, the consumer price index (CPI) for fresh fruits in China decreased by approximately 7.8% compared to the same period in 2023, primarily due to an abundance of fruit supply, a decline in the overall spending power of consumers in China and intensified competition in the fresh fruit industry in China. Nonetheless, there remained a strong demand for safe, fresh and high-quality fruits, which continued to be consumers' main considerations when purchasing fruits. The fruit consumption trend in the first half of 2024 demonstrated the characteristics of diversification, personalization, quality, health and convenience. With the increasing health awareness in recent years, consumers have developed a strong preference for trendy and imported fruits such as blueberries, cherries and avocado, recognizing their exceptional taste and nutritional benefits. China has become one of the largest markets for new product launches in the world, with fruit imports reaching US\$11.23 billion for the six months ended June 30, 2024, representing an increase of approximately 3.8% compared to the same period in 2023. In addition, the fast-paced lifestyle of young consumers in China have driven the demand for ready-to-eat fruit products such as freshly cut fruits, fruit mix, fruit juice and fruit coffee.

Meanwhile, the fruit gift-giving market has shown significant growth potential. The traditional gift-giving market in China is currently undergoing transformation and upgrading that consumers' demand for gifts is shifting from pure material value to health and practicality. Since fruits are natural, nutritious and low-calorie, they are gaining popularity as healthy gifts, especially for gift giving for festivals and holidays, business dealing and as personal gifts. With its novelty and wide applicability, fruit gift boxes have become a popular choice in the gift-giving market nowadays.

### **Company Performance Review**

In the first half of 2024, we continued to carry on our business under three major business units, namely retail business unit, 2B business unit and category business unit. 2024 is the first year for us to implement our new strategy of “expert and leader in high-quality fruit industry (高品質水果專家與領導者)”, and 2024 is also the first year of our first Three-Year Plan of our 10-year strategic plan. During this period, each business unit focused on three major battles, namely brand renewal campaign, excellent-grade fruits leading campaign and gift campaign, with the goal of “building on brand strengths and becoming the first choice of quality”. To support the implementation of this new strategy, we have increased our marketing expenses since the beginning of 2024. In addition, given the decline in overall spending power in China, the revenue and profit growth of the Company in the first half of 2024 have been affected.

The Group's revenue decreased by approximately 11.1% from RMB6,294.3 million for the six months ended June 30, 2023 to RMB5,594.1 million for the six months ended June 30, 2024. The Group's gross profit decreased by approximately 13.2% from RMB712.5 million for the six months ended June 30, 2023 to RMB618.5 million for the six months ended June 30, 2024. The Group's profit attributable to owners of the Company decreased by approximately 66.1% from RMB260.8 million for the six months ended June 30, 2023 to RMB88.5 million for the six months ended June 30, 2024.

## Company Business Highlights

### *Retail Business Unit*

#### *Offline Store Network Development*

In the first half of 2024, the Group continued to expand its retail store network nationwide by adjusting the layout of retail stores and relocating to better locations. As of June 30, 2024, the Group recorded a net increase of 67 retail stores as compared to June 30, 2023. As of June 30, 2024, the Group's offline store network had a total of 6,025 stores located in over 190 cities covering 22 provinces and municipalities in China.

The table below sets forth the Group's total number of franchised stores and self-operated stores as of the dates indicated.

	As of June 30,			
	2024		2023	
		%		%
<b>Franchised stores</b>				
Franchised stores supervised by the Group	<b>4,707</b>	<b>78.1</b>	4,795	80.5
Others	<b>1,304</b>	<b>21.7</b>	1,150	19.3
<b>Sub-total</b>	<b>6,011</b>	<b>99.8</b>	5,945	99.8
<b>Self-operated stores</b>	<b>14</b>	<b>0.2</b>	13	0.2
<b>Total</b>	<b>6,025</b>	<b>100.0</b>	5,958	100.0

The total number of the Group's retail stores increased slightly by approximately 1.1% from 5,958 retail stores as of June 30, 2023 to 6,025 retail stores as of June 30, 2024, mainly because the franchisees had confidence in the potential growth of the fruit retail industry in China, the potential enhancement of the Company's branding position and the stable and sustainable business model of the Company. However, the total number of the Group's retail stores decreased slightly by approximately 1.1% from 6,093 retail stores as of December 31, 2023 to 6,025 retail stores as of June 30, 2024. This decrease was mainly due to the decline in the overall spending power of consumers in China, resulting in reduction of sales from the Group's retail stores as well as the increase in rent for retail stores, which in turn led to the closure of some underperformed retail stores.

The table below sets forth the Group’s revenue contribution derived from sales of products by types of retail stores for the periods indicated.

	<b>Six Months Ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>RMB’000</b>	<b>%</b>	<b>RMB’000</b>	<b>%</b>
<b>Franchised stores</b>				
Franchised stores supervised by the Group	<b>4,004,869</b>	<b>99.3</b>	4,728,339	99.4
Others	<b>6,918</b>	<b>0.2</b>	3,794	0.1
<b>Sub-total</b>	<b>4,011,787</b>	<b>99.5</b>	4,732,133	99.5
<b>Self-operated stores</b>	<b>21,218</b>	<b>0.5</b>	24,625	0.5
<b>Total</b>	<b>4,033,005</b>	<b>100.0</b>	4,756,758	100.0

Following the adoption of our new strategy of “expert and leader in high-quality fruit industry”, during the first half of 2024, we implemented a comprehensive upgrade in nearly 6,000 franchised stores to further enhance consumers’ brand awareness of our products. The upgrading measures include standardizing the decoration materials of store front doors and within the stores, optimizing product display and encouraging the use of electronic price tags. In addition, we have been piloting an operation model of large-scale innovative store with an area exceeding 150 square meters in Yueyang City, Hunan Province. As of June 30, 2024, we had two large-scale innovative stores in operation.

In the first half of 2024, we put more effort in motivating franchisees to implement the Company’s strategies to enhance the profitability of our franchised stores. In April 2024, we established a team of “operations invincible army” (運營鐵軍) consisting of our employees with experience and expertise in store operation to provide customized training and instore tutoring for our franchisees, including analyzing the business districts around the stores, optimizing integrated online and offline operations of the stores, strengthening the Group’s WeChat group chats, improving product display in stores and enhancing customers service capabilities such as shopping guides and face-to-face selling. Meanwhile, we are building up a benchmark store so that we may conclude a replicable and successful operational method and then share and re-apply such method to other franchisees to standardize each of our stores and advance the stable and sustainable growth of our franchised stores. In addition, in March 2024, we initiated a pilot implementation of “transparent kitchen (明廚亮灶)” campaign in certain stores which ensures that the process of opening and cutting fruits is conducted under surveillance, thus enhancing the transparency of the fruit-cutting process and standardization of food safety.

#### *Online-merge-offline (“OMO”) Model*

In order to meet consumers’ demands for multi-scene and multi-channel consumption, we have always been actively exploring the content e-commerce segment by launching the online business and brand promotion on multiple platforms such as Douyin, RED, Tmall and JD.com. During the first half of 2024, we have increased the number of live streaming sessions on Douyin to improve our brand exposure and further improve sales of our franchised stores. In the first half of 2024, the Group and its retail stores had a cumulative live broadcast viewing of 70.93 million times on Douyin, representing an increase of approximately 218.5% as compared to the corresponding period in 2023. In addition, in the first half of 2024, we also start to develop instant retail business on Douyin, and achieved more than 100.0 million exposures in a single month, and recoded a total amount of sales of a single product of more than RMB500,000 per day.

In May and June 2024, in Shenzhen, Nanjing and Shanghai, we have introduced a bunch of innovative marketing activities linking online and offline channels for the first time. By combining offline flash mob events with online live streaming, we have effectively motivated our franchisees, boosted product sales in surrounding stores, and enhanced consumers' brand awareness of our products. Meanwhile, in the first half of 2024, we promoted high-quality and cost effective fruit gift boxes across all channels during major festivals such as Dragon Boat Festival, Mother's Day and Children's Day under the theme of "Global Healthy Fruit Gift (全球好果健康禮)". As a result, the revenue derived from the sales of fruit gift boxes out of our Group's total revenue increased from 10.6% for the year ended December 31, 2023 to 13.0% for the six months ended June 30, 2024.

As of June 30, 2024, the Group had accumulated over 84 million members across all distribution channels with over 1,071 thousand paying members, and the cumulative number of users of the WeChat mini-program reached 69.39 million, representing an increase of approximately 11.9% as compared to the corresponding period in 2023.

In the first half of 2024, the orders placed by multiple online channels accounted for approximately 26.1% of the total orders of the Group. Furthermore, the Group continued to provide guidance to its store managers to establish store-based WeChat groups, pushing interesting and interactive product promotions and membership activities, and interacting and communicating with WeChat community followers in real time. As of June 30, 2024, the total number of store-based WeChat groups established by the Group's store managers increased to approximately 28,098 with an aggregate of over 17.3 million WeChat community followers, representing a year-on-year increase of approximately 5.2% as compared to the corresponding period of 2023.

## ***2B Business Unit***

In the first half of 2024, we continued to leverage our strong supply chain capabilities and product resources to expand our customer base and market coverage in both domestic and overseas markets. We have partnered with a number of traditional supermarkets and online new retail companies in the first half of 2024, and pursuant to such partnership, we started to supply fruits to them directly for on sale to their customers. The Group's revenue from direct sales of fruits and other food products increased by approximately 30.0% from RMB548.3 million for the six months ended June 30, 2023 to RMB712.8 million for the six months ended June 30, 2024, of which the direct sales of fruits in overseas market increased by approximately 29.4% as compared to the corresponding period in 2023.

In November 2023, we completed a further equity acquisition of Shenzhen Banguo Technology Co., Ltd.\* (深圳般果科技有限公司) ("**Shenzhen Banguo**"), as a result of which, Shenzhen Banguo became a consolidated subsidiary of our Group. Leveraged Shenzhen Banguo's experience in procurement platform operation, our Group has significantly enhanced its capability to effectively fulfil the procurement needs of small and medium-sized fruit suppliers and mom-and-pop stores. In the first half of 2024, the gross merchandise value (GMV) of Shenzhen Banguo amounted to RMB1,469.7 million, with additional one main warehouse and 138 city warehouses, further expanding its market share. We believe that Shenzhen Banguo is able to fulfil the procurement needs of small and medium-sized fruit suppliers and mom-and-pop stores, and that there is an enormous potential for penetration and improvement within the industry chain, which will help us further improve the efficiency of our supply chain and expand our market share in the 2B sector.

## ***Category Business Unit***

In order to further optimize customers' shopping experience and decision-making, we have simplified the grading system by replacing "Excellent (招牌), Grade A, Grade B and Grade C" with "Excellent, Grade A and Grade B" under our pioneered fruit grading system based on the criteria of "Saccharinity, Crispness, Tenderness, Freshness, Flavor and Safety (四度一味一安全)". This change not only allows consumers to easily identify our high-quality Excellent fruits, but also offers customers with more cost-effective Grade B fruits.

During the first half of 2024, our Excellent fruits and Grade A fruits were popular among consumers because of their distinctive taste. Gross sales of fruits under Excellent and Grade A fruits accounted for approximately 64.0% of the Group's total gross store retail sales for the six months ended June 30, 2024. Excellent fruits set us apart from our competitors. As of June 30, 2024, the Group had successfully introduced to the market a total of 42 self-owned product brands which are Excellent fruits, amongst, five were launched in the first half of 2024 such as Tianduoli peach (甜多麗水蜜桃) and Lanwuhuaxiang blueberry (藍霧花香藍莓), and the gross retail sales of all self-branded fruits accounted for approximately 16.0% of the Group's total gross store retail sales for the six months ended June 30, 2024.

To further deepen customers' awareness of Excellent fruits and highlight our differentiated advantages, we held the "Spring Signature Fruits Press Conference (春季招牌果發布會)" in Bangkok, Thailand, and jointly launched the Excellent fruit "Thai Chanee King Durian (泰國青妮王榴槤)" with the Ministry of Agriculture and Cooperatives of Thailand in April 2024. In addition, we also collaborated with Xinjiang Uygur Autonomous Region High Quality Agricultural Product Production and Sales Service Center (新疆維吾爾自治區優質農產品產銷服務中心), and jointly held the "Taste of Xinjiang's Excellent Fruits Press Conference (品味新疆招牌果發布會)" and launched Excellent fruits such as Custard apricots (奶黃杏), Shuangburang Winter jujubes (爽不讓冬棗) and Yake prune (亞克西梅) in July 2024.

In addition, we continue to provide our suppliers with soil improvement, agricultural management and post-harvest preservation technologies to improve the quality of our fruits, secure the supply of goods and build a high-standard supply chain ecosystem, laying the foundation for launching more Excellent fruits and category brands. Meanwhile, to ensure that all of our product categories are high-quality and cost effective, as of June 30, 2024, our Group had assigned 13 category managers, respectively responsible for product selection and pricing for 13 brands, including jujubes, blueberries, and wax apples.

## ***Other Business Updates***

### *Focusing on the core aspects of retail and upgrading our digital and intelligent system*

In the first half of 2024, we initiated retail digital transformation and advancement with a focus on the core aspects of retail operation, such as planning, selection, pricing, ordering, display, and marketing. Compared to the traditional ordering methods which were unable to reflect the changes of consumer demand in real-time, our upgraded smart ordering 3.0 system (智能訂貨3.0系統) forecasts order categories and quantities by correlating relevant key factors through the central algorithm. As a result, our sales forecast accuracy rate has improved by 10%, further optimizing inventory management and effectively reducing wastage of damaged or unfresh fruits in stores.

### *Committed to food safety and enforcing stringent quality control*

In addition to the SGS ISO 22000 food safety management system certification obtained by many of our subsidiaries, our wholly-owned subsidiary, Good Fruit Inspection and Testing (Guangdong) Co., Ltd.\* (好果子檢驗檢測(廣東)有限公司) obtained a Qualification Certificate from the Inspection and Testing Agency in February 2024. This allows us to use the CMA (China Metrology Accreditation) mark in the test reports for fruits that have passed the tests of pesticide residue and metallic contaminants etc., demonstrating our greater progress in maintaining food safety standards. Meanwhile, we have developed a food safety training manual for stores, which is the first of its kind in the fruit industry, to raise the food safety awareness among our employees.

To further standardize the development of the fruit cutting industry and enhance the food safety level, in July 2024, we collaborated with Jinan Fruit Research Institute All China Federation of Supply and Marketing Cooperatives\* (中華全國供銷合作總社濟南果品研究所) to issue the industry's first Raw Materials for Fresh-cut Fruits enterprise standard. This standard refined the rules for the classification, screening, and storage of raw fruits, categorizing fruits into five main categories including open-cut fruits with pits, fruits with urns, edible fruits after peeling, special open-cut fruits, and whole or directly sliced fruits and formulated the standard for the use of raw fruits based on key indicators such as maturity, freshness, colors, odor and impurities, providing standardized guarantee for the quality and safety of selected raw fruits.



## **BUSINESS OUTLOOK AND GROUP STRATEGIES**

2024 is a crucial year for brand upgrading. In face of the current economic challenges and the more rational consumers, we remain highly flexible in our strategies and actively seeking changes. Based on the strategy of “expert and leader in high-quality fruit industry” set at the beginning of this year, we will take into account the factors of high-quality and cost-effective performance, consolidate the sense of value of our core customer base and occupy more consumers’ mind by providing rich and differentiated products and services.

Looking forward, in terms of the retail business, we will continue to focus on improving operational efficiency and high quality growth of our retail stores. We will further optimize the franchise model, motivate franchisees by reducing royalty fees, devoting more marketing resources to enhance consumers’ brand awareness of our products and providing them with training support, and help them improve the profitability of single stores. Under the new strategy of “expert and leader in high-quality fruit industry”, we are committed to further deepening the impression of our offering of high-quality and cost-effective products. We will upgrade the standards of product selection, strengthen freshness management and improve quality control specifications to ensure higher standards of quality and taste of our products, thus improving user consumption experience and frequency. As the largest fruit retail operator in China, we will effectively observe the changing consumption trends among our mainstream consumers, deeply explore core consumption scenarios such as camping, holiday trips and social gatherings, provide creative and diverse product matrix to further penetrate new consumers. Meanwhile, we will upgrade our scientific pricing system, improving the algorithm and adjusting the category structure and pricing strategy according to more detailed urban business district by using the accumulated data to ensure that our products have high conversion rates and sufficient price competitiveness.

In terms of the 2B business, we will continue to diversify our offering of category products to our 2B consumers and expand domestic and overseas distribution channels, further increasing our market share in the fruit sales, such as developing new fruit gift boxes to meet the customization needs of 2B customers for welfare gifts; exploring omni-channel 2B customers to further expand the 2B customer base; meanwhile strengthening product development capabilities and enhancing the competitiveness of its products through its exclusive rights to distribute domestically produced and imported fruits. In addition, the Group will firmly implement its strategy of “Buy Globally, Sell Globally” to promote its high-quality fruits from various production areas to be circulated and traded globally, so that people all over the World can enjoy high-quality fruits. Lastly, the Group will further seize the market share of fruit markets in lower-tier cities through Shenzhen Banguo and strive to maintain the steady growth of Shenzhen Banguo.

In terms of building fruit category brands, we will continue to bring in technologies such as advanced agricultural technology and seedling technology and introduce such advanced technologies to our suppliers, assisting our suppliers to improve the quality and quantity of fruits, and strive to establish a competitive umbrella category brand that can change the landscape of fruit category brands together.

We strongly believe that our new strategy of “expert and leader in high-quality fruit industry” promoting the high-quality and cost-effective performance in business operation, will further strengthen our distribution channels and products, enhancing consumers’ brand awareness of our products and strengthening our leading position in the fruit retail market. We also believe that with the implementation of our new strategy and initiatives, we will create more financial and social value in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's unaudited consolidated financial results for the six months ended June 30, 2024 with comparative figures for the six months ended June 30, 2023.

	<b>Six Months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Revenue	<b>5,594,124</b>	6,294,316
Cost of sales	<b>(4,975,616)</b>	(5,581,784)
<b>Gross profit</b>	<b>618,508</b>	712,532
Other income	<b>27,415</b>	21,465
Other gains, net	<b>22,517</b>	25,849
Selling expenses	<b>(296,617)</b>	(241,995)
Administrative expenses	<b>(168,696)</b>	(146,873)
Net provision of impairment loss on financial assets	<b>(8,884)</b>	(13,943)
Research and development expenses	<b>(66,323)</b>	(74,106)
<b>Operating profit</b>	<b>127,920</b>	282,929
Finance income	<b>27,888</b>	20,529
Finance costs	<b>(52,531)</b>	(38,432)
Finance costs, net	<b>(24,643)</b>	(17,903)
Share of (losses)/profits of associates and joint venture, net	<b>(4,014)</b>	7,454
<b>Profit before income tax</b>	<b>99,263</b>	272,480
Income tax expense	<b>(15,308)</b>	(21,931)
<b>Profit for the period</b>	<b>83,955</b>	250,549
Profit/(loss) attributable to:		
Owners of the Company	<b>88,506</b>	260,807
Non-controlling interests	<b>(4,551)</b>	(10,258)
	<b>83,955</b>	250,549

## Revenue

The following table sets forth the Group's revenue by operating segments, each expressed in the absolute amount and as a percentage of total revenue, for the six months ended June 30, 2023 and 2024, respectively.

	<b>Six Months Ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
Sales of fruits and other food products	<b>5,435,726</b>	<b>97.2</b>	6,117,186	97.2
Royalty and franchising income	<b>67,157</b>	<b>1.2</b>	98,516	1.6
Membership income	<b>38,353</b>	<b>0.7</b>	47,887	0.8
Others	<b>52,888</b>	<b>0.9</b>	30,727	0.4
<b>Total</b>	<b><u>5,594,124</u></b>	<b><u>100.0</u></b>	<b><u>6,294,316</u></b>	<b><u>100.0</u></b>

The Group's total revenue decreased by approximately 11.1% from RMB6,294.3 million for the six months ended June 30, 2023 to RMB5,594.1 million for the six months ended June 30, 2024. Revenue generated from sales of fruits and other food products represented the majority portion of the Group's total revenue, representing approximately 97.2% and 97.2% of total revenue for the six months ended June 30, 2023 and 2024, respectively.

The Group mainly distributes fruits and other food products through offline store network, comprising franchised stores operated by franchisees recruited by itself or referred by its regional dealers and self-operated stores. It also distributes through online channels. In addition, it engages in direct sales to certain major customers and, on a small scale, engages in wholesale business.

The following table sets forth a breakdown of the Group's revenue from sales of fruits and other food products by distribution channels, each expressed in the absolute amount and as a percentage of revenue from sales of fruits and other food products, for the six months ended June 30, 2023 and 2024, respectively.

	<b>Six Months Ended June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
Franchised stores	<b>4,011,787</b>	<b>73.8</b>	4,732,133	77.4
Self-operated stores	<b>21,218</b>	<b>0.4</b>	24,625	0.4
Regional dealers	<b>627,807</b>	<b>11.5</b>	652,363	10.7
Direct sales	<b>712,778</b>	<b>13.1</b>	548,274	9.0
Online channels	<b>62,136</b>	<b>1.2</b>	159,791	2.5
<b>Total</b>	<b><u>5,435,726</u></b>	<b><u>100.0</u></b>	<b><u>6,117,186</u></b>	<b><u>100.0</u></b>

The decrease in revenue from sales of fruits and other food products was primarily due to increase in revenue of sales derived from 2B business (i.e. direct sales) by approximately 30.0% from RMB548.3 million for the six months ended June 30, 2023 to RMB712.8 million for the six months ended June 30, 2024, net with the decrease in revenue of sales derived from franchised stores by approximately 15.2% from RMB4,732.1 million for the six months ended June 30, 2023 to RMB4,011.8 million for the six months ended June 30, 2024.

The increase in revenue from direct sales was primarily due to the Group's increase in fruit exports to overseas market and increase of sales to 2B customers in domestic market. The Group's total sales amount derived from exporting fruits and fruit products to 2B customers in overseas market increased by approximately 29.4% from RMB109.0 million for the six months ended June 30, 2023 to RMB141.0 million for the six months ended June 30, 2024 due to increase in demand of quality fruits in overseas markets. The Group's total sales amount derived from 2B customers in domestic market increased by approximately 30.2% from RMB439.3 million for the six months ended June 30, 2023 to RMB571.8 million for the six months June 30, 2024 due to the continuous implementation of the Group's favorable pricing strategy since 2022 and development of new fruit gift boxes to meet the customization needs of 2B customers for welfare gifts in order to expand the Group's 2B business customer base and market share.

The decrease in revenue from franchised stores was primarily due to combined impact of (i) net decrease in number of franchised stores supervised by the Group by approximately 1.9% from 4,795 stores as of June 30, 2023 to 4,707 stores as of June 30, 2024, and (ii) decrease in average semi-annual revenue per franchised store supervised by the Group by approximately 13.7% from RMB1.0 million for the six months ended June 30, 2023 to RMB0.9 million for the six months ended June 30, 2024, which was due to the decline in overall spending power of consumers in China which led to reduction of sales from the Group's franchised stores.

### **Cost of Sales**

Cost of sales decreased by approximately 10.9% from RMB5,581.8 million for the six months ended June 30, 2023 to RMB4,975.6 million for the six months ended June 30, 2024, which was in line with the decrease in revenue from sales of fruits and other food products. Cost of inventories sold represented the majority portion of the Group's cost of sales, accounting for approximately 95.3% and 96.1% of the Group's total cost of sales for the six months ended June 30, 2023 and 2024, respectively. The decrease in cost of inventories sold was in line with the decrease in revenue from sales of fruits and other food products.

### **Gross Profit and Gross Profit Margin**

As a result of the foregoing, the Group's gross profit decreased by approximately 13.2% from RMB712.5 million for the six months ended June 30, 2023 to RMB618.5 million for the six months ended June 30, 2024. The Group's gross profit margin was 11.3% for the six months ended June 30, 2023 and 11.1% for the six months ended June 30, 2024, which was mainly due to the reduction of royalty fees and franchise fees when franchisees open multiple stores.

### **Other Income**

The Group's other income increased by approximately 27.7% from RMB21.5 million for the six months ended June 30, 2023 to RMB27.4 million for the six months ended June 30, 2024. The increase was primarily due to increase in government grants in relation to the new office building located in Yantian District, Shenzhen, China.

## **Other Gains, Net**

The Group's other gains, net decreased by approximately 12.9% from RMB25.8 million for the six months ended June 30, 2023 to RMB22.5 million for the six months ended June 30, 2024. The decrease was primarily due to decrease in foreign currency exchange gain.

## **Selling Expenses**

The Group's selling expenses increased by approximately 22.6% from RMB242.0 million for the six months ended June 30, 2023 to RMB296.6 million for the six months ended June 30, 2024. The increase was primarily due to increase in expenses in relation to brand renewal campaign such as store refurbishment and marketing campaigns.

## **Administrative Expenses**

The Group's administrative expenses increased by approximately 14.9% from RMB146.9 million for the six months ended June 30, 2023 to RMB168.7 million for the six months ended June 30, 2024. The increase was primarily due to increase in headcount of the Group's administrative staffs and their respective average remuneration annual packages compared to that of 2023 and legal and professional fees in relation to the Group's brand renewal campaign.

## **Net Provision of Impairment Loss on Financial Assets**

Net impairment loss on financial assets for the six months ended June 30, 2023 and 2024 mainly represented a general expected credit loss on trade and other receivables. Provision of impairment losses on financial assets amounted to RMB13.9 million for the six months ended June 30, 2023, while provision of impairment loss on financial assets amounted to RMB8.9 million for the six months ended June 30, 2024. It was mainly due to the Group's effort in account receivables collection and credit control management, which led to a reduction in the number of defaulting customers as compared to the same period in 2023.

## **Research and Development Expenses**

The Group's research and development expenses decreased by approximately 10.5% from RMB74.1 million for the six months ended June 30, 2023 to RMB66.3 million for the six months ended June 30, 2024. The decrease was primarily due to decrease in headcount of the Group's research and development staff.

## **Finance Costs, Net**

Finance income increased by approximately 35.8% from RMB20.5 million for the six months ended June 30, 2023 to RMB27.9 million for the six months ended June 30, 2024, which was mainly attributable to interest income arising from bank deposits.

Finance costs increased by approximately 36.7% from RMB38.4 million for the six months ended June 30, 2023 to RMB52.5 million for the six months ended June 30, 2024, which was mainly attributable to increase in bank borrowings.

## **Share of (Losses)/Profits of Associates and Joint Venture, Net**

For the six months ended June 30, 2023 and 2024, the Group recorded share of profits of associates and joint venture, net of RMB7.5 million and share of losses of associates and joint venture, net of RMB4.0 million, respectively. The share of losses was mainly due to loss making of some of the Group's associates and joint venture.

## **Profit Before Income Tax**

As a result of the foregoing, the Group recorded profit before tax of RMB99.3 million for the six months ended June 30, 2024, decreased by approximately 63.6% from RMB272.5 million for the six months ended June 30, 2023, which was mainly due to reduction of sales from the Group's retail stores and increase in expenses in relation to the Group's brand renewal campaign.

## **Income Tax Expense**

Income tax expense decreased by approximately 30.2% from RMB21.9 million for the six months ended June 30, 2023 to RMB15.3 million for the six months ended June 30, 2024, primarily due to decrease in operating profit which led to decrease in taxable income. The difference in magnitude of the decrement in the Group's profit before income tax and its taxable income for the six months ended June 30, 2024 was primarily because some of the Group's subsidiaries enjoyed preferential tax treatments and tax exemptions for the six months ended June 30, 2024.

## **Profit for the Period**

As a result of the foregoing, the Group's net profit decreased by approximately 66.5% from RMB250.5 million for the six months ended June 30, 2023 to RMB84.0 million for the six months ended June 30, 2024. The Group's net profit margin decreased from 4.0% for the six months ended June 30, 2023 to 1.5% for the six months ended June 30, 2024.

## **Non-HKFRS Measures – Adjusted Net Profit and Adjusted Net Profit Margin**

To supplement the Group's consolidated financial information, which are presented in accordance with HKFRS, the Group presents adjusted net profit and adjusted net profit margin, each a non-HKFRS measure, as additional financial measures. Adjusted net profit is defined as profit for the period as adjusted by adding back listing expenses and share-based payment expenses. Adjusted net profit margin is calculated as adjusted net profit for the period divided by total revenue for the relevant period. Listing expenses represents expenses in relation to the Company's global offering (the "**Global Offering**") and listing of its H shares (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which were completed in January 2023. Share-based payment expenses represent expenses in relation to award shares granted pursuant to the Company's 2023 share award scheme on May 20, 2024.

The Group uses unaudited non-HKFRS measures as an additional financial measure to supplement the consolidated financial information and to evaluate the financial performance of the Group by eliminating the impact of certain non-recurring items and other items that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate the non-HKFRS measures differently than the Group does. The non-HKFRS measures are not a measure of operating performance or liquidity under HKFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with HKFRS.

The non-HKFRS measures have limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under HKFRS. The Group's presentation of this non-HKFRS item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

The table below sets forth the reconciliation of profit and net profit margin for the period under HKFRS to adjusted net profit and adjusted net profit margin, respectively, for the period indicated.

	<b>Six Months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit for the period (as reported under HKFRS)	<b>83,955</b>	250,549
Add: Listing expenses in connection with the Global Offering and Listing	–	2,192
Add: Share-based payment expenses	<b>4,959</b>	–
Adjusted net profit for the period (non-HKFRS measure)	<b>88,914</b>	252,741
Net profit margin (as reported under HKFRS)	<b>1.5%</b>	4.0%
Adjusted net profit margin (non-HKFRS measure)	<b>1.6%</b>	4.0%

### **Liquidity and Capital Resources**

For the six months ended June 30, 2024, the Group financed its operations primarily through cash generated from its business operations, capital contributions by the shareholders of the Company (the “**Shareholders**”) and bank borrowings.

In addition, the Company completed its Global Offering and Listing in the first quarter of 2023 and received net proceeds in the amount of approximately HK\$474.0 million (including net proceeds received from the partial exercise of the over-allotment option). The Group currently intends to finance its expansion and business operation mainly by using its own internal resources, as well as to use the net proceeds received from the Global Offering.

### **Capital Structure**

As of June 30, 2024, the Group had net assets of RMB3,344.4 million, as compared to RMB3,337.1 million as of December 31, 2023. Net assets as of June 30, 2024 primarily comprised current assets of RMB5,778.6 million, non-current assets of RMB2,798.8 million, current liabilities of RMB4,544.0 million and non-current liabilities of RMB689.0 million.

### **Cash and Bank Balances**

As compared with RMB2,537.1 million as of December 31, 2023, the Group had cash and bank deposits of RMB3,122.9 million as of June 30, 2024, which was consisted of unrestricted cash and cash equivalents of RMB2,840.5 million and restricted bank deposits of RMB282.4 million.

As of December 31, 2023 and June 30, 2024, the cash and cash equivalents of the Group were mainly denominated in Renminbi (“**RMB**”).

## Financial Risks

The Group is exposed to interest rate risk in relation to its cash and bank balances, bank borrowings and fixed rate loan receivables. The management considers the overall interest rate risk is insignificant. The Group has cash at banks denominated in foreign currencies, which subject the Group to foreign exchange risk. The Group does not use any derivative contracts to hedge against its exposure to foreign exchange risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

## Use of Proceeds from the Global Offering

The Company completed its Global Offering and Listing in the first quarter of 2023 and its H shares were successfully listed on the Main Board of the Stock Exchange on January 16, 2023 (the “**Listing Date**”). Net proceeds the Company raised from the Global Offering (including the partial exercise of the over-allotment option), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering, amounted to approximately HK\$474.0 million (the “**Net Proceeds**”).

The table below sets forth the utilization of the Net Proceeds by the Group as of June 30, 2024:

Intended use of Net Proceeds	Adjusted allocation of Net Proceeds <sup>(1)</sup> <i>(million)</i>	Adjusted percentage of total Net Proceeds <sup>(1)</sup>	Amount of Net Proceeds utilized up to December 31, 2023 <i>(million)</i>	Amount of Net Proceeds utilized during the six months ended June 30, 2024 <i>(million)</i>	Balance of Net Proceeds unutilized as of June 30, 2024 <i>(million)</i>	Expected timeframe for use of Net Proceeds <sup>(2)</sup>
To improve and enhance operation and supply chain systems	HK\$229.5	48.4%	–	HK\$11.4	HK\$218.1	Before December 31, 2025
To upgrade and improve core backbone IT systems and infrastructure	HK\$127.5	26.9%	HK\$56.5	HK\$18.7	HK\$52.3	Before December 31, 2024
To repay part of interest-bearing bank borrowings	HK\$91.5	19.3%	HK\$91.5	–	–	–
To use as working capital and for general corporate purposes	HK\$25.5	5.4%	HK\$23.3	–	HK\$2.2	Before December 31, 2025
<b>TOTAL</b>	<b>HK\$474.0</b>	<b>100.0%</b>	<b>HK\$171.3</b>	<b>HK\$30.1</b>	<b>HK\$272.6</b>	



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*Notes:*

- (1) Based on the actual amounts of Net Proceeds adjusted on pro rata basis, except for the fixed amount of HK\$91.5 million used to repay the Group's interest-bearing bank borrowings.
- (2) Based on the Group's current estimates of its business plans and market conditions, and subject to change and adjustment.

As of June 30, 2024, the Net Proceeds unutilized had been deposited into short-term interest-bearing deposits placed in licensed banks in China. The Group intends to utilize the Net Proceeds in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated December 29, 2022 (the "**Prospectus**").

### **Indebtedness**

As of June 30, 2024, the Group had an aggregate non-current bank borrowings of RMB168.9 million and short-term bank borrowings of RMB2,765.2 million. Such outstanding bank borrowings were denominated in Renminbi and the majority portion was at fixed interest rates with the remaining at variable interest rates.

The Group uses the gearing ratio (gearing ratio = total borrowings/total equity at the end of period and multiplied by 100%) to monitor its capital structure. The Group's gearing ratio increased from 56.8% as of December 31, 2023 to 87.7% as of June 30, 2024, which was primarily due to increase in bank borrowings in order to maintain sufficient liquidity in relation to the Group's brand renewal campaign.

### **Pledged Assets**

As of June 30, 2024, the Group's right-of-use assets of RMB47.3 million (December 31, 2023: RMB49.1 million) and the Group's building classified under property, plant and equipment of RMB22.6 million (December 31, 2023: RMB23.2 million) were pledged as collateral for the Group's bank borrowings.

### **Cash Flows**

For the six months ended June 30, 2024, net cash generated from operating activities increased to RMB277.7 million from RMB225.1 million for the six months ended June 30, 2023, which was mainly attributable to cash generated from operating activities included decrease in deposits, prepayments and other receivables and inventories of RMB81.6 million and RMB45.4 million, respectively, for the six months ended June 30, 2024.

For the six months ended June 30, 2024, net cash used in investing activities was RMB1,002.7 million, while net cash generated from investing activities was RMB48.9 million for the six months ended June 30, 2023, which was mainly attributable to net acquisition of financial assets at FVTPL of RMB458.9 million and placement of long-term bank deposits of RMB435.0 million.

For the six months ended June 30, 2024, net cash generated from financing activities was RMB905.8 million, while the cash used in financing activities was RMB334.8 million for the six months ended June 30, 2023, which was mainly attributable to the proceeds of approximately HK\$1,730.1 million received from the bank borrowings for the six months ended June 30, 2024 compared to the proceeds from bank borrowings of RMB639.9 million for the six months ended June 30, 2023.

## **Financial Assets, Capital and Investment Management**

The Group from time to time invests in wealth management products, primarily structured deposits, in order to better facilitate its cash management. Structured deposits were principal-protected products which typically had a fixed short term and may be redeemed upon had their respective expiry dates, therefore, were relatively low risk in nature. The Group's structured deposits were accounted as financial assets measured at FVTPL. To a lesser extent, the Group also recorded fair value gains on long-term financial assets at FVTPL which mainly represented convertible debts in connection with loans convertible to equity interests in the borrowers pursuant to the relevant agreements. Moreover, the Group also recorded financial assets at FVOCI, which comprised (i) unlisted equity securities and (ii) listed equity securities whereby the Group invested in companies that it considered have development potentials.

As of June 30, 2024, the Group had (i) structured deposits which accounted for as financial assets at FVTPL of RMB652.1 million (December 31, 2023: RMB180.4 million), (ii) other financial assets at FVTPL of RMB78.2 million (December 31, 2023: RMB86.5 million), and (iii) financial assets at FVOCI of RMB33.8 million (December 31, 2023: RMB30.6 million).

The Group has implemented capital and investment policies to monitor and control the risks relating to its investment activities. The Group generally only makes investments in asset management products when it has surplus cash, and in principle, is only entitled to invest in products with low-risk and high liquidity, and such investments should be non-speculative in nature. The Group's capital and investment policies also specify the criteria for selecting investments to be considered and the detailed review procedures that each proposed investment shall go through.

In view of an upside of earning a relatively higher return than current saving or fixed deposit rate under the low interest rate trend, as well as the principal-protected nature and a relatively short term of maturity of the structured deposits, the Directors are of the view that the structured deposits pose little risk to the Group and the terms and conditions of each of the structured deposits are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

## **Capital Expenditure**

The Group's capital expenditures amounted to RMB86.6 million for the six months ended June 30, 2024, mainly for the payments of construction in progress of the Group's new office building located in Yantian District, Shenzhen, China.

The Group financed its capital expenditures primarily with cash generated from operations, bank borrowings and the proceeds raised from the Global Offering.

## Contingent Liabilities and Guarantees

As of June 30, 2024, the Group did not have any contingent liabilities, guarantees or any significant litigation against it.

## Significant Investments, Material Acquisitions, and Disposals of Subsidiaries, Associates and Joint Ventures

### *Subscriptions of Wealth Management Products*

In the first half of 2024, the Group subscribed for certain wealth management products offered by China CITIC Bank Corporation Limited (“**CITIC**”) and Bank of Beijing Co., Ltd. (“**BOB**”), details of which are set out below.

- *Subscriptions of Wealth Management Products Offered by CITIC*

On April 24, 2024, the Company and its subsidiary, Pagoda Fruit Investment Management (Shenzhen) Service Co., Ltd.\* (深圳市百果園供應鏈管理服務有限公司) subscribed for structured deposit products offered by CITIC with an aggregated principal amount of RMB125 million and RMB25 million, respectively, with expected annual return rate of 1.05% or 2.59% depending on the fixed price of the relevant linked indicators (the Fourth Subscription and the Fifth Subscription, respectively). On April 30, 2024, the Company further subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB50 million with expected annual return rate of 1.05% or 2.61%, depending on the fixed price of the relevant linked indicators (the Sixth Subscription). In addition, on May 11, 2024, the Company further subscribed for structured deposit products offered by CITIC with an aggregated principal amount of RMB100 million and RMB100 million, respectively, with expected annual return rates of 1.05% or 2.59%, and 1.05% or 2.57%, respectively, depending on the fixed price of the relevant linked indicators (the First Subscription and the Second Subscription, respectively). Moreover, on May 30, 2024, the Company further subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB125 million with expected annual return rate of 1.05% or 2.61%, depending on the fixed price of the relevant linked indicators (the Eighth Subscription).

- *Subscriptions of Wealth Management Products Offered by BOB*

On March 5, 2024, the Company subscribed for a structured deposit product offered by BOB with an aggregated principal amount of RMB100 million with expected annual return rate of 1.30% or 2.88% depending on the fixed price of the relevant linked indicators (the Seventh Subscription). On May 14, 2024, the Company further subscribed for a structured deposit product offered by BOB with an aggregated principal amount of RMB300 million with expected annual return rates of 1.30% or 2.65% depending on the fixed price of the relevant linked indicators (the Third Subscription).

Each of the CITIC wealth management structured deposit products and the BOB wealth management structured deposit products are short-term principal-protected wealth management products that have relatively low associated risks issued by a reputable commercial bank. Therefore, the subscriptions of such wealth management structured deposit products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. The subscriptions of such wealth management structured deposit products are considered to be part of the Group's treasury management to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment and the term to maturity, and to bring higher return on capital. As of June 30, 2024, the wealth management products underlying the Second Subscription, the Third Subscription, the Fourth Subscription and the Seventh Subscription were matured and fully redeemed. For further details, please refer to the Company's announcements dated May 15, 2024 and May 31, 2024.

Save as disclosed above, the Company had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures in the first half of 2024.

In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group currently has no specific plan for material investment in or acquisition of major assets or other business, or disposal of subsidiaries, associates and joint ventures. However, the Group will continue to identify new opportunities for business development.

### **Turnover Ratios**

Average inventory turnover days slightly increased from 9.2 days for the six months ended June 30, 2023 to 10.9 days for the six months ended June 30, 2024.

Average trade receivables turnover days increased from 31.7 days for the six months ended June 30, 2023 to 34.2 days for the six months ended June 30, 2024, primarily due to the increase in demand of working capital by the Group's franchised stores.

Average trade payables turnover days decreased from 16.7 days for the six months ended June 30, 2023 to 14.1 days for the six months ended June 30, 2024, primarily due to the increase in demand of working capital by the Group's suppliers.

### **Employees and Employee Benefit Expenses**

As of June 30, 2024, the Group had a total of 2,681 employees, among which approximately 17.0% were from marketing department, 15.2% were from operating and store management department, 20.4% were from production and logistics department and 14.0% were from IT department.

The Group attaches great importance to the development and retention of talents to support the sustainable growth. It has established a comprehensive talent training system for its management and other employees. It offers all-round talent training programs, respectively focusing on developing talents in various fields of general management, upstream planting and market operation.

The Group has developed a performance evaluation system to assess the performance of its employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Sales and marketing personnel may also receive bonuses based on the sales targets they accomplish, by taking into account the overall sales performance of the stores in the same regional market in the relevant period.

In the first half of 2024, the Group incurred total employee benefit expenses of RMB331.3 million, representing approximately 5.9% of total revenue of the Group for the same period.

In addition, the Company adopted a share award scheme on September 28, 2023 to incentivize or reward eligible persons, including management personnel of the Group at manager level or above, other core employees who made outstanding contribution to the Group and service providers as the Board deems fit, for their contribution to the Group.

### **Major Suppliers and Major Customers**

For the six months ended June 30, 2024, purchases from the Group's largest supplier in terms of dollar amount accounted for approximately 6.9% of total purchase cost of the Group for the same period, and the aggregate purchases from its top five suppliers in aggregate accounted for 25.1% of total purchase cost of the Group for the same period.

For the six months ended June 30, 2024, revenue contributed by the Group's largest customer accounted for approximately 1.6% of total revenue of the Group for the same period, and the aggregate revenue contributed by its top five customers accounted for approximately 6.3% of total revenue of the Group for the same period. All top five customers were the Group's franchisees.

### **Reserves**

As of June 30, 2024, the Company's reserves available for distribution to Shareholders amounted to approximately RMB13.7 million.

## FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	5,594,124	6,294,316
Cost of sales	4	(4,975,616)	(5,581,784)
<b>Gross profit</b>		<b>618,508</b>	712,532
Other income		27,415	21,465
Other gains, net		22,517	25,849
Selling expenses	4	(296,617)	(241,995)
Administrative expenses	4	(168,696)	(146,873)
Net provision of impairment loss on financial assets		(8,884)	(13,943)
Research and development expenses	4	(66,323)	(74,106)
<b>Operating profit</b>		<b>127,920</b>	282,929
Finance income		27,888	20,529
Finance costs		(52,531)	(38,432)
Finance costs, net		(24,643)	(17,903)
Share of (losses)/profits of associates and joint venture, net		(4,014)	7,454
<b>Profit before income tax</b>		<b>99,263</b>	272,480
Income tax expense	5	(15,308)	(21,931)
<b>Profit for the period</b>		<b>83,955</b>	250,549
Profit/(loss) attributable to:			
Owners of the Company		88,506	260,807
Non-controlling interests		(4,551)	(10,258)
		<b>83,955</b>	250,549
<b>Earnings per share for profit attributable to the owners of the Company</b>			
Basic and diluted (expressed in RMB cents per share)	6	<b>5.83</b>	16.51

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<b>Profit for the period</b>		<b>83,955</b>	250,549
<b>Other comprehensive income/(loss)</b>			
<i>Items that will not be subsequently reclassified to profit or loss</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income (“FVOCI”)		3,520	2,619
Income tax relating to FVOCI		240	(863)
<b>Other comprehensive income for the period, net of tax</b>		<b>3,760</b>	1,756
<b>Total comprehensive income for the period</b>		<b>87,715</b>	252,305
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		92,266	262,563
Non-controlling interests		(4,551)	(10,258)
		<b>87,715</b>	252,305

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at <b>30 June 2024</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		585,019	521,842
Right-of-use assets		503,467	544,707
Investment property		2,396	2,441
Intangible assets		264,464	272,606
Interests in associates and joint venture		354,223	355,165
Financial assets at FVOCI		33,808	30,559
Financial assets at fair value through profit or loss (“FVTPL”)		78,196	86,537
Restricted bank deposits		1,009	1,009
Long-term bank deposits		545,000	110,000
Deposits, prepayments and other receivables		424,021	393,345
Deferred tax assets		7,221	6,926
		<b>2,798,824</b>	2,325,137
<b>Current assets</b>			
Inventories		279,466	324,871
Biological assets		7,954	7,143
Trade receivables	8	1,062,360	1,063,440
Deposits, prepayments and other receivables		1,164,135	1,226,181
Financial assets at FVTPL		652,087	180,434
Loan to an associate		–	2,041
Amounts due from associates and joint venture		35,657	35,602
Restricted bank deposits		281,427	311,313
Cash and cash equivalents		2,295,504	2,114,823
		<b>5,778,590</b>	5,265,848
<b>Total assets</b>		<b>8,577,414</b>	7,590,985



	<i>Note</i>	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank borrowings		168,887	126,340
Other payables		106,561	104,965
Contract liabilities		16,426	20,315
Lease liabilities		388,561	475,182
Deferred tax liabilities		8,583	9,525
		<u>689,018</u>	<u>736,327</u>
<b>Current liabilities</b>			
Trade payables	9	415,161	364,158
Accruals and other payables		1,240,604	1,294,363
Dividend payable	7	68,307	–
Contract liabilities		15,192	24,736
Income tax payables		6,873	11,918
Amounts due to associates and joint venture		1,873	16,410
Bank borrowings		2,765,238	1,768,876
Lease liabilities		30,720	37,101
		<u>4,543,968</u>	<u>3,517,562</u>
<b>Total liabilities</b>		<u><u>5,232,986</u></u>	<u><u>4,253,889</u></u>
<b>Net assets</b>		<u><u>3,344,428</u></u>	<u><u>3,337,096</u></u>
<b>Equity</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital		1,588,544	1,588,544
Reserves		1,645,657	1,636,428
Capital and reserves attributable to owners of the Company		3,234,201	3,224,972
Non-controlling interests		110,227	112,124
<b>Total equity</b>		<u><u>3,344,428</u></u>	<u><u>3,337,096</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the "PRC") on 3 December 2001 as a limited liability company under Company Law of the PRC and was converted into a joint stock company with limited liability on 10 April 2020. The address of the Company's registered office is 6A-2, 6/F, Block A, Yantian Modern Industry Service Center (Phase I), No. 3018 Shayan Road, Tianxin Community, Shatoujiao Street, Yantian District, Shenzhen, Guangdong Province, China.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2023.

The Company and its subsidiaries (together, the "Group") are principally engaged in operating of a franchised retail network and trading of fruits. The ultimate controlling party of the Group is Mr. Yu Huiyong ("Mr. Yu").

This interim condensed consolidated financial information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand ("RMB'000") unless otherwise stated.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### 2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

### 2.2 Accounting policies

The accounting policies applied are consistent with those applied in preparation of the Group's financial statements for the year ended 31 December 2023, as described in those annual consolidated financial statements, except for the estimation of income tax (Note 5) and the adoption of new standards, amendments to standards and interpretations as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2024:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts and the Related Amendments
HKFRS 17	Initial Application of HKFRS and HKFRS 9 – Comparative Information

Amended standards that have been issued but are not effective for the six months ended 30 June 2024 and have not been early adopted:

		<b>Effective for accounting periods beginning on or after</b>
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an investor and its Associate or Joint Venture	To be determined

Management is in the process of assessing the financial impact of the adoption of the above amendments to standards. The Group will adopt the amendments to standards when they become effective.

### 3 REVENUE AND SEGMENT INFORMATION

#### (a) Description of segments and principal activities

The CODM has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segment based on these reports.

The CODM assesses the performance of the Group in below reportable operating segments:

- Operation of franchised and self-owned retail networks ("**Franchising**")
- Sales of fruit and other food products – trading of fruits ("**Trading**")
- Others

The CODM assesses the performance of the operating segments based on a measure of segment results. This measurement basis excludes the effects of fair value gain or loss on structured deposits, remuneration of auditors, legal and professional fees, listing expenses, income tax expense, interest income on bank deposits and certain interest expenses on borrowings. Other information provided to the CODM is measured in a manner consistent with that in the interim condensed consolidated financial information.

**(b) Segment revenue and result**

	<b>Franchising RMB'000</b>	<b>Trading RMB'000</b>	<b>Others RMB'000</b>	<b>Total RMB'000</b>
<b>Six months ended 30 June 2024 (Unaudited)</b>				
Revenue from contracts	5,032,445	747,997	19,491	5,799,933
Less: Inter-segment revenue	–	(194,532)	(11,277)	(205,809)
Revenue from external customers	<u>5,032,445</u>	<u>553,465</u>	<u>8,214</u>	<u>5,594,124</u>
Segment results	150,401	23,916	(15,002)	159,315
Unallocated other gains, net				6,723
Unallocated corporate expenses				(57,035)
Unallocated finance income				27,888
Unallocated finance cost				(37,628)
Profit before income tax				99,263
Income tax expense				(15,308)
Profit for the period				<u>83,955</u>
Depreciation and amortisation	57,190	6,562	4,821	68,573
Additions to:				
Property, plant and equipment	46,257	6,709	35,968	88,934
Right-of-use assets	12,484	3,584	876	16,944
Intangible assets	806	–	–	806
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Franchising	Trading	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Six months ended 30 June 2023 (Unaudited)</b>				
Revenue from contracts	6,050,703	465,225	12,117	6,528,045
Less: Inter-segment revenue	–	(226,539)	(7,190)	(233,729)
Revenue from external customers	<u>6,050,703</u>	<u>238,686</u>	<u>4,927</u>	<u>6,294,316</u>
Segment results	280,277	24,054	(390)	303,941
Unallocated other gains, net				10,589
Unallocated corporate expenses				(38,558)
Unallocated finance income				20,529
Unallocated finance cost				(24,021)
Profit before income tax				272,480
Income tax expense				(21,931)
Profit for the period				<u>250,549</u>
Depreciation and amortisation	59,390	4,963	2,034	66,387
Additions to:				
Property, plant and equipment	16,610	1,920	14,410	32,940
Right-of-use assets	16,115	–	8,684	24,799
Intangible assets	1,024	–	–	1,024
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

(c) **Geographical segment**

Analysis of revenue of the Group by geographical market is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	5,453,097	6,185,315
Indonesia	68,815	37,891
Singapore	30,372	29,253
Hong Kong and other countries	41,840	41,857
	<u>5,594,124</u>	<u>6,294,316</u>

All the Group's assets and liabilities are located in the PRC. Accordingly, no segment assets and liabilities by geographical segment is presented (31 December 2023: same).

There is no single external customer contributed to more than 10% of the Group's revenue during the six months ended 30 June 2024 (six months ended 30 June 2023: same).

**4 EXPENSES BY NATURE**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	4,780,592	5,320,525
Employee benefit expenses (including directors' emoluments)	331,252	346,167
Listing expenses	–	2,192
Depreciation of property, plant and equipment	25,633	24,743
Depreciation of right-of-use assets	33,992	33,709
Amortisation of intangible assets	8,948	7,935
Remuneration of auditors ( <i>Note a</i> )	2,300	2,400
Legal and professional fees	54,735	33,966
Delivery charges	97,914	104,938
Marketing and promotion expenses	51,988	31,445
Office supplies	3,735	2,597
Labour cost ( <i>Note b</i> )	42,711	49,323
Expenses relating to short-term leases	15,738	21,259
Travelling expenses	7,750	8,401
Entertainment	4,790	4,590
Water and electricity	7,046	8,202
Other tax expenses	10,700	11,820
Others	27,428	30,546
	<u>5,507,252</u>	<u>6,044,758</u>
Representing:		
Cost of sales	4,975,616	5,581,784
Selling expenses	296,617	241,995
Administrative expenses	168,696	146,873
Research and development expenses	66,323	74,106
	<u>5,507,252</u>	<u>6,044,758</u>

Note:

- (a) Balance includes overseas auditor's remuneration for audit services of RMB1,700,000 (six months ended 2023: RMB1,700,000), as well as domestic auditor's remuneration for audit services of RMB600,000 (six months ended 30 June 2023: RMB700,000).
- (b) Balance represents costs incurred by the Group for human resources companies responsible for outsourced staff working at warehouses and distribution centres.

## 5 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Current income tax	<b>16,305</b>	23,414
Deferred tax	<b>(997)</b>	(1,483)
	<hr/>	<hr/>
Income tax expense	<b>15,308</b>	21,931
	<hr/> <hr/>	<hr/> <hr/>

Income tax expense is recognised using the tax rate that would be applicable to expected total annual earnings. The tax rate used for the six months ended 30 June 2024 is 15.4%, compared to 8.0% for the six months ended June 2023. The tax rate is higher in 2024 due to the decrease in proportion of the Group's activities which are not subject to income tax.

## 6 EARNINGS PER SHARE

### (a) Basic earnings per share

The basic earnings per share is calculated on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding (excluding the ordinary shares purchased by the Company under the share award scheme) during the six months ended June 2024 (2023: same).

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to owners of the Company (RMB'000)	<b>88,506</b>	260,807
Weighted average number of shares outstanding ('000)	<b>1,519,412</b>	1,580,164
	<hr/>	<hr/>
Basic earnings per share (expressed in RMB cent)	<b>5.83</b>	16.51
	<hr/> <hr/>	<hr/> <hr/>

**(b) Diluted earnings per share**

For the six months ended 30 June 2024, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary share: share awards. For the share awards, a calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period from the shares awards granted) based on the monetary value of the subscription rights attached to the outstanding share awards. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards.

Diluted earnings per share for the six months ended 30 June 2024 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding share awards would have no dilutive effect on the basic earnings per share.

Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the six months ended 30 June 2023.

**7 DIVIDENDS**

The final dividend of RMB0.043 per ordinary share, equivalent to a total of approximately RMB68,307,000 for the year ended 31 December 2023, has been approved by the Company's shareholders at its annual general meeting and has been recognised as dividend payable in the interim condensed consolidated statement of financial position as at 30 June 2024.

The board does not recommend payment of interim dividend for the period ended 30 June 2024 (2023: same).

**8 TRADE RECEIVABLES**

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	<b>As at 31 December 2023 RMB'000 (Audited)</b>
Trade receivables, gross	<b>1,122,503</b>	1,117,264
Less: loss allowance	<b>(60,143)</b>	(53,824)
Trade receivables, net	<b><u>1,062,360</u></b>	<b><u>1,063,440</u></b>

The Group allows a credit period of up to 90 days to its customers. The ageing analysis of trade receivables before the loss allowance by invoice date is as follows:

	As at <b>30 June 2024</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
1 – 90 days	861,612	765,132
91 – 180 days	176,746	270,284
181 – 365 days	27,680	31,590
Over 1 year	56,465	50,258
	<u>1,122,503</u>	<u>1,117,264</u>

As at 30 June 2024, the maximum exposure to credit risk is the carrying value of trade receivables mentioned above and the Group does not hold any collateral as security (31 December 2023: same).

## 9 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates is as follows:

	As at <b>30 June 2024</b> <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
1 to 30 days	363,009	334,532
31 to 60 days	34,185	16,030
61 to 90 days	3,106	2,341
Over 90 days	14,861	11,255
	<u>415,161</u>	<u>364,158</u>

As at 30 June 2024, the carrying amounts of the Group's trade payables approximate their fair values and are denominated in RMB (31 December 2023: same).



## **OTHER INFORMATION**

### **Interim Dividend**

The Board has resolved not to declare an interim dividend in respect of the six months ended June 30, 2024.

### **Corporate Governance Practices**

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance.

#### *Rule 3.21 of the Listing Rules*

Following the resignation of Mr. PAN Pan on April 12, 2024, the Company failed to meet the requirement of having a minimum of three non-executive directors in the Audit Committee under Rule 3.21 of the Listing Rules. Following the appointment of Mr. SUN Kai on June 6, 2024, the Company has complied with the aforesaid requirement of Rule 3.21 of the Listing Rules.

Save as disclosed above, during the six months ended June 30, 2024, the Company complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein.

### **Model Code for Securities Transactions**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding all dealing by Directors, supervisors and relevant employees of securities in the Company and other matters covered by the Model Code since the Listing Date.

Having made specific enquiry with all the Directors and supervisors, all of the Directors and supervisors confirmed that he/she has complied with the required standards as set out in the Model Code during the six months ended June 30, 2024. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the aforesaid period.

### **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares, if any).

### **PUBLIC FLOAT**

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the six months ended June 30, 2024 and up to the date of this announcement. The Company maintained the minimum level of public float of at least 25% of its total registered share capital.

## **SUBSEQUENT EVENTS**

The following significant events took place subsequent to June 30, 2024:

- (a) On July 2, 2024, the Company further subscribed for a structured deposit product offered by BOB with an aggregated amount of RMB230 million (Ninth Subscription) with an expected annual return rates of 1.30% or 2.72% depending on the fixed price of the relevant linked indicator; and
- (b) On July 4, 2024, the Company further subscribed for a structured deposit product offered by CITIC with an aggregated amount of RMB175 million (Tenth Subscription) with an expected annual return rates of 1.05% or 2.41% depending on the fixed price of the relevant linked indicators.

The Ninth Subscription and Tenth Subscription are considered to be part of the Group's treasury management. As of the date of this announcement, the wealth management products underlying the Ninth Subscription and the Tenth Subscription are outstanding. For more details, please refer to the announcement of the Company dated July 4, 2024.

As of the date of this announcement, save as disclosed above, there was no significant event affecting the Group which occurred subsequent to June 30, 2024.

## **AUDIT COMMITTEE**

The Board has established the Audit Committee, which comprises two independent non-executive Directors and one non-executive Director, namely, Dr. WU Zhanchi (*chairman*), Mr. MA Ruiguang and Mr. SUN Kai. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2024.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The interim condensed consolidated financial information are unaudited but have been reviewed by the Group's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## **PUBLICATION OF INTERIM RESULTS AND 2024 INTERIM REPORT**

This interim results announcement is published on the website of the Company ([www.pagoda.com.cn](http://www.pagoda.com.cn)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be disseminated to the Shareholders and published on the respective websites of the Company and the Stock Exchange within the prescribed time and in accordance with the requirements under the Listing Rules.

By Order of the Board  
**Shenzhen Pagoda Industrial (Group) Corporation Limited**  
深圳百果園實業(集團)股份有限公司  
**YU Huiyong**  
*Chairman and Executive Director*

Shenzhen, the People's Republic of China  
August 21, 2024

*As of the date of this announcement, the Board of Directors of the Company comprises Mr. YU Huiyong, Ms. XU Yanlin, Mr. TIAN Xiqiu, Mr. JIAO Yue and Mr. ZHU Qidong as executive Directors, Mr. SUN Kai as non-executive Director, and Dr. JIANG Yanbo, Mr. MA Ruiguang, Dr. WU Zhanchi, Mr. CHEUNG Yee Tak Jonathan and Ms. ZHU Fang as independent non-executive Directors.*