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ZJLD

ZJLD Group Inc

珍酒李渡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6979)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2024

The Board is pleased to announce the audited consolidated financial results of the Group for the year ended December 31, 2024, together with the comparative figures for the year ended December 31, 2023, as below.

FINANCIAL HIGHLIGHTS

The following table sets forth our key financial data for the year ended December 31, 2024, together with the comparative figures for the year ended December 31, 2023 and the change (expressed in percentages).

	For the year ended December 31,		
	2024	2023	Change
	(RMB'000)	(RMB'000)	(%)
Revenue	7,066,784	7,030,467	0.5
Gross profit	4,143,040	4,079,948	1.5
Profit attributable to equity shareholders of the Company for the year	1,323,622	2,327,083	(43.1)
Adjusted net profit (non-IFRS measure) ⁽¹⁾	1,676,275	1,622,602	3.3
Net cash generated from operating activities	781,003	361,226	116.3
Earnings per share			
– Basic (RMB) ⁽²⁾	0.404	0.783	(48.4)
– Diluted (RMB) ⁽³⁾	0.400	0.485	(17.6)
Adjusted earnings per share (non-IFRS measure)			
– Basic (RMB) ⁽⁴⁾	0.511	0.546	(6.3)
– Diluted (RMB) ⁽⁵⁾	0.506	0.521	(2.8)

The following table sets forth certain of our key financial ratios for the year ended December 31, 2024, together with the comparative figures for the year ended December 31, 2023.

	For the year ended December 31,	
	2024	2023
	(%)	(%)
Gross profit margin	58.6	58.0
Net profit margin	18.7	33.1
Adjusted net profit margin (non-IFRS measure) ⁽¹⁾	23.7	23.1

Notes:

- (1) For more details on the non-IFRS measures, please see the section headed “Non-IFRS Measures” in this announcement.
- (2) The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue. For more details, please see note 7 to the annual consolidated financial statements set out in this announcement.
- (3) The calculation of diluted earnings per share is based on (a) the profit attributable to ordinary equity shareholders of the Company used in the basic earnings per share calculation, adjusted by the changes in fair value in financial instruments issued to an investor (where applicable); and (b) the weighted average number of ordinary shares (dilutive). For more details, please see note 7 to the annual consolidated financial statements set out in this announcement.
- (4) The calculation of adjusted basic earnings per share is based on the adjusted net profit (non-IFRS measure) and the weighted average number of ordinary shares in issue. For more details, please see the section headed “Non-IFRS Measures” and note 7 to the annual consolidated financial statements set out in this announcement.
- (5) The calculation of adjusted diluted earnings per share is based on the adjusted net profit (non-IFRS measure) and the weighted average number of ordinary shares (dilutive). For more details, please see the section headed “Non-IFRS Measures” and note 7 to the annual consolidated financial statements set out in this announcement.
- (6) Any discrepancies between the change percentages of earnings per share in this table and percentages as calculated based on the above earnings per share figures are due to rounding.

CHAIRMAN’S STATEMENT

Dear Shareholders,

The year 2024 marked a pivotal chapter for ZJLD Group as we forged ahead with resilience and determination. In a complex and ever-changing economic environment, we have anchored ourselves in long-termism and committed to the spirit of “invigorating our nation with entrepreneurship”. We made groundbreaking strides in brand building, quality enhancement, channel innovation, and social responsibility. Despite various challenges and uncertainties, we unwaveringly adhere to our strategic focus on high-quality and sustainable development, and have achieved steady progress in 2024 through resolutely pursuing an arduous yet righteous path. Every accomplishment in this year owes to the unwavering understanding and support of our distributors, partners, and Shareholders who have journeyed with us.

While the baijiu industry is currently in a period of adjustment, I remain confident in its future and have high expectations for the prospects of our brands. As a veteran with nearly 30 years in the baijiu industry, I recognize that each cycle presents new growth opportunities, enabling certain brands to surpass others and rise to prominence. I firmly believe that our *Zhen Jiu* and *Li Du* brands possess robust vitality and significant growth potential, and the challenges currently facing the industry precisely provide an opportunity for them to shine. Looking ahead, baijiu brands will show a trend of differentiation, advancing competition on branding building, quality enhancement, and consumer experience enrichment.

Discovering opportunities in challenges, seeking certainty within uncertainties, and balancing constancy with adaptation are key to leading the Group in sustainable development. As premium baijiu brands, what remains unchanged is our deep focus on four key elements: brand, base liquor, distribution channels, and team capabilities. Building on this foundation, we continuously innovate and adapt to proactively address emerging industry trends and capitalize on new growth opportunities.

- **Developing and Cultivating Diverse Baijiu Consumption Scenarios and Demographics:** With the rapid enhancement of brand power, *Zhen Jiu* has begun to systematically expand beyond business settings to broader baijiu consumption scenarios. Meanwhile, we are exploring cross-industry collaborations between baijiu and other sectors, integrating baijiu with Chinese cuisine and lifestyle, to create more consumption scenarios and growth opportunities. Additionally, *Zhen Jiu* and *Li Du* have achieved success in developing key corporate clients, securing more high-quality customers with business demands. *Zhen Jiu* and *Li Du* have also started to enter duty-free distribution channels, exploring opportunities in Hong Kong, Macau, and Southeast Asia, and taking steps towards internationalization.
- **Enhancing Experience-Centric Brand Marketing Strategy:** In 2024, our brands have made advancements in experiential marketing. Through short video platforms, prominent landmark and building advertisements, and sponsorships of high-end offline events, we have constructed a multifaceted marketing strategy to cover a broader consumer base. *Zhen Jiu* has established the sealed storage baijiu (封壇酒) sales model centered around high-end tasting events such as “National Banquet • Zhen” (國之珍宴) and “Holy Land Distillery Tour” (聖地之旅回廠遊). Upon completion of the Bai Yan Gou Distillery Tour Base in the coming years, we will integrate tasting events, distillery tours, sealed storage baijiu sales and membership systems into a seamless ecosystem. In 2025, *Li Du* plans to amplify the brand appeal in its distillery tours by leveraging the Tang Dynasty Hongzhou Kiln relics that was newly excavated during the expansion of the distillery.

- **Exploring New Channel Development and Management:** In 2024, we further advanced *Zhen Jiu*'s dual-channel growth strategy. This is particularly the case within the premium baijiu business division, where we have continuously refined our development and conversion model for high-quality non-traditional distributors, achieving impressive double-digit growth despite a challenging environment. This approach will continue to serve as *Zhen Jiu*'s second growth driver in the coming years. Our traditional distribution channels have also undergone professional specialization in sales, operations, and supervision. To enhance channel management, we consistently leverage digital tools to strengthen the monitoring of transaction flows within these channels. Moreover, our brands' premium and deluxe product series have made innovative adjustments to channel policies, further solidifying the long-term, mutually beneficial relationships between us and our distributors. We are confident that attracting high-quality distributors and optimizing channel management will empower our brands and distributors to jointly unlock market potential.
- **Building an Organizational Structure and Incentive Mechanism to Maximize Team's Execution Effectiveness:** Following our Listing in 2023, the Group introduced the Post-IPO Equity Incentive Plan to modernize our incentive mechanisms. Further, we have timely adjusted our organizational structure to align with business development needs to maximize our team's execution effectiveness. In 2024, the organizational structures of the premium baijiu division and Zhen 30 business division have been adjusted and are poised for action. We will continue to implement comprehensive and systematic team training to enhance our team's effectiveness and performance.

Our Group always acts with warmth and a strong sense of social responsibility. We are dedicated to brewing high-quality baijiu for our consumers and creating a better life for our partners, employees, and their families. We prioritize giving back to society and contributing to the regional economy throughout our corporate development. In 2024, *Zhen Jiu* topped the list of private baijiu companies in Guizhou Province in terms of tax contributions. Since acquiring *Zhen Jiu* in 2009 until 2024, there has been a 40-fold increase in the number of jobs created by *Zhen Jiu*, and a 340-fold increase in *Zhen Jiu*'s tax contributions. In 2024, we received an ESG "AA" rating from Wind, ranking among the top of all listed baijiu companies. In 2025, to mark and celebrate *Zhen Jiu*'s 50th anniversary, we will widely carry out charitable activities in various regions, mobilizing all employees to participate in local poverty alleviation efforts, fulfilling our social responsibility through actions.

The year 2025 is a landmark year for our Group, as it marks the 50th anniversary of *Zhen Jiu*. From the 50-year journey of *Zhen Jiu*'s heritage to *Li Du*'s thousand-year historical culture, we cherish every essence of traditional craftsmanship and uphold the quality of every drop of baijiu. 2025 is also the inaugural year for establishing the vision of "striving to be a world-class spirit company". Every member of ZJLD team will continue to forge ahead, brewing more fine baijiu for consumers, creating greater value for shareholders and partners, and making more contributions to society.

Mr. WU Xiangdong
ZJLD Group Inc
Chairman of the Board and Executive Director

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a leading baijiu company in China devoted to offering high-quality baijiu products. We produce and sell sauce aroma, mixed aroma and strong aroma baijiu, with sauce aroma baijiu serving as our major growth engine.

In 2024, the baijiu industry faced certain challenges, notably with a continuously weakened consumption demand beginning in the second quarter. We balanced growth with maintaining healthy channel inventory to achieve sustainable development. We focused on cultivating the four key elements of brand, base liquor, distribution channels, and team capabilities. Building on this foundation, we continuously innovate and adapt to proactively address emerging industry trends and capitalize on new growth opportunities. In particular, we would like to highlight the following initiatives: (i) developing and cultivating diverse baijiu consumption scenarios and demographics. With the rapid enhancement of brand power, *Zhen Jiu* has begun to systematically expand beyond business settings to broader baijiu consumption scenarios. Meanwhile, we explored cross-industry collaborations between baijiu and other sectors to create more consumption scenarios and growth opportunities. Furthermore, we have also achieved success in developing key corporate clients, securing more high-quality customers with business demands; (ii) continuing to vigorously implement *Zhen Jiu*'s dual-channel growth strategy, expanding our emerging sales channels and high-end customer base which achieved an impressive double-digit growth and will continue to serve as *Zhen Jiu*'s second growth driver in the coming years; (iii) enhancing the quality of our distributors and strengthening the market competitiveness of our distribution channels; (iv) elevating our tasting events and distillery tours, creating the iconic and high-end “National Banquet • Zhen” tasting event for *Zhen Jiu*, and leveraging this to develop the sealed storage baijiu sales model; and (v) further optimizing the allocation of resources across production costs and marketing expenses. All of these efforts have transformed into our business development and improved profitability as compared to the year ended December 31, 2023.

Our Brands and Products

We have developed a three-tier growth engine. *Zhen Jiu*, our flagship brand featuring premium and above sauce aroma baijiu, served as our major growth engine which continuously delivers strong and sizable growth across China, capturing the strong growth potential of the sauce aroma baijiu market. *Li Du*, our second growth engine and a brand featuring premium and above mixed aroma baijiu products, has delivered high growth and is expected to create additional momentum for continued growth as we are determined to further strengthen its brand recognition and nationwide sales network outside of Jiangxi Province. *Xiang Jiao* and *Kai Kou Xiao*, our regional leading brands in the Hunan market, are expected to make steady and ongoing contributions to our long-term sustainable growth. We tactically position these four baijiu brands to target different consumer preferences and geographical regions in China, with our product portfolio covering three aroma profiles (i.e. sauce aroma, mixed aroma and strong aroma) across different price ranges, and an overall focus on the premium and above baijiu market. As the three-tier growth engines are in different phases of development, they complement one another and work in concert to drive our long-term growth.

Zhen Jiu

Our flagship brand, *Zhen Jiu*, primarily targets sauce aroma baijiu lovers who crave premium sauce aroma baijiu products. *Zhen Jiu* focuses on high-quality sauce aroma baijiu products and strategically enhances its presence within the premium and above price range to maintain the brand's steady sales growth. According to Frost & Sullivan, *Zhen Jiu* has maintained its position as the fourth largest sauce-aroma baijiu brand in China and third largest sauce-aroma baijiu brand in Guizhou province by revenue for two consecutive years (i.e., 2023 and 2024). For the year ended December 31, 2024, *Zhen Jiu* generated approximately 63.4% of our revenue.

Since its launch, *Zhen Jiu* has gradually optimized the recipes of its products to craft iconic tastes appealing to consumers across China, solidifying its brand power and market significance. In 2024, *Zhen Jiu* topped the list of private baijiu companies in Guizhou Province in terms of tax contributions. *Zhen Jiu* was recognized by the World Brand Lab (世界品牌實驗室) as one of China's 500 Most Valuable Brands for 2024 (《2024年中國500最具價值品牌》) with a brand value of approximately RMB24.8 billion in 2024, and ranked third amongst all the sauce aroma baijiu brands for three consecutive years. With regard to products, we experienced tremendous success with our popular sauce aroma baijiu products, including the Zhen 30 Series and Zhen 15 Series which achieved great market acceptance and international recognition. In 2024, Zhen 30 Series and Zhen 15 Series received new awards from established associations and institutions, both domestically and internationally, underscoring their continued excellence and high standards in quality and innovation. For example, Zhen 30 Series was awarded (i) the China Alcoholic Golden Honor Award – The Star Product amongst the Famous Alcoholic Drinks in China's Alcoholic Drinks Industry in 2024 (中國酒業金盛獎 – 2024中國酒業名酒之星大單品), and (ii) the Silver Medal from the 2024 Hong Kong International Wine & Spirits Competition (2024香港國際美酒品評大賽) and (iii) the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2023. Zhen 15 Series was awarded (i) the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles for six times between 2017 and 2024, (ii) the China Alcoholic Golden Honor Award – The Product with Most Resale Value in China's Alcoholic Drinks Industry in 2024 (中國酒業金盛獎 – 2024中國酒業最具代理價值產品), (iii) the Grand Gold Medal from the International Spirits Grand Challenge (China) (ISGC 國際烈酒(中國)大獎賽) in October 2024, and (iv) the Silver Medal from the 2024 Hong Kong International Wine & Spirits Competition. In addition, Lao Zhen Jiu (Deluxe Edition) was awarded the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in September 2024.

Zhen Jiu continues to introduce new product series to increase market penetration. In 2024, we introduced the *2013 Real Vintage Baijiu* (2013真實年份酒) and *The One Among A Thousand* (千里挑一), expanding our package-free baijiu product line within the deluxe price range. Moreover, *Ying Shan Hong* (映山紅), a sub-brand launched in June 2022, has achieved considerable success and has received the China Alcoholic Drinks Golden Prosperity Award – The Product with the Most Growth Potential in China's Alcoholic Drinks Industry in 2024 (中國酒業金盛獎 – 2024中國酒業最具成長力產品). We also continue our tradition of launching exclusive cultural and creative products. For example, our latest innovation brings history to life with our unique baijiu products inspired by historical relics, introducing the Inlaying Gold Series, featuring exquisite designs like the Inscription Tigers, Rabbit, Loong, and Snake, each celebrating the rich tapestry of the Chinese zodiac. Furthermore, as we look forward to 2025, we will launch the Zhen 50 Series to commemorate the 50th anniversary of *Zhen Jiu*. This series will honor our legacy of craftsmanship and innovation, marking a significant milestone in our journey.

Li Du

Li Du is a thriving brand featuring premium and above mixed aroma baijiu products, which has gained great success and has significant growth potential. Our *Li Du* products distinguish themselves from the other baijiu products by their signature taste and fine quality, unique immersive marketing approach stemming from the traditional Chinese culture, and premium brand positioning and operation. With these features, *Li Du* has gained a strong foothold in its base market, Jiangxi Province, and is strategically expanding its geographic reach across China to support its incremental and long-term growth. According to Frost & Sullivan, *Li Du* has remained the fifth largest mixed-aroma baijiu brand in China and achieved the highest year-on-year growth rate amongst the top five mixed aroma baijiu brands, in terms of revenue in 2024. For the year ended December 31, 2024, *Li Du* generated approximately 18.6% of our revenue.

Li Du was established to honor its origin from Lidu, Jiangxi Province, an ancient town in China that is steeped in its long-standing tradition of making baijiu. The baijiu-making techniques of *Li Du* were recognized as an Intangible Cultural Heritage of Jiangxi. In 2002, an ancient baijiu distillery of the Yuan Dynasty (1271 AD to 1368 AD) was discovered during the renovation of our production facility in Lidu, Jiangxi Province and was subsequently named on the list of Major National Historical and Cultural Sites. On April 27, 2023, *Li Du*, together with six other leading baijiu companies, jointly applied for Chinese baijiu to be included in China's tentative list of world cultural heritage. *Li Du* achieved notable recognition in 2024, as it was named among the Eighth Batch of National Key Leading Enterprises in Agricultural Industrialization (第八批國家重點農業產業化龍頭企業) and awarded the title of “Chinese Time-honored Brand” (中華老字號) by the Ministry of Commerce of the People's Republic of China. During the expansion of the *Li Du* distillery, a Hongzhou Kiln of the Tang Dynasty (618 AD to 907 AD) was excavated. Hongzhou Kiln is one of the six famous celadon kilns in the Tang Dynasty. It is also one of the earliest kiln sites in China for producing porcelain. The Hongzhou Kiln discovered in *Li Du* distillery and the ancient baijiu distillery of the Yuan Dynasty together form a “double heritage”, significantly bolstering *Li Du*'s brand image, which is consistently rooted in its rich history and cultural heritage.

Our *Li Du* brand includes a portfolio of selected mixed aroma baijiu products, featuring *Li Du Sorghum 1308* (李渡高粱1308), *Li Du Sorghum 1955* (李渡高粱1955) and *Li Du Sorghum 1975* (李渡高粱1975). *Li Du Sorghum 1955* and *Li Du Sorghum 1308* won the Grand Gold Medals from the Spirits Selection by Concours Mondial de Bruxelles in 2015 and 2019, respectively. *Li Du Sorghum 1975* was awarded the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2023. In February 2024, in order to enhance consumer experience, we have upgraded our main product lines under *Li Du*, which involved the launch of the second generation of *Li Du Sorghum 1955* and the second generation of *Li Du Sorghum 1975*. Furthermore, after embarking on a year-long journey of research and development, we successfully launched *Li Du Sorghum 1308*, a deluxe baijiu product meticulously created to support our bid for inclusion in the World Heritage List. This distinguished baijiu product was honored with the prestigious Grand Gold Medal at the 2024 International Spirits Grand Challenge (China) shortly after its debut. In 2024, while further deeply penetrating *Li Du*'s base market in Jiangxi Province, we continued to selectively and proactively explore *Li Du*'s potential markets outside Jiangxi Province to support a rapid growth of this brand. We have also continued to expand the product matrix to include more premium and mid-range products in an orderly manner, to prepare for the future scaled expansion of the *Li Du* brand.

Xiang Jiao

Xiang Jiao is a regional leading premium baijiu brand in Hunan Province, with strong brand awareness and entrenched channel penetration in local market, which lays the groundwork for the brand's long-term sustainable development. Originally established in 1957, *Xiang Jiao* was synonymous with the rich cultural heritage of baijiu-making in Hunan Province and was awarded the title of Hunan Provincial Governor Quality Award in 2012 and China Well-known Trademark in 2012. At *Xiang Jiao*, we offer a wide range of premium and deluxe baijiu products covering strong aroma, sauce aroma and mixed aroma profiles, represented by *Xiang Jiao Long Jiang* (湘窖•龍匠) series, *Xiang Jiao Yao Qing* (湘窖•要情), *Xiang Jiao Red Diamond* (湘窖•紅鑽) and *Xiang Jiao Crystal Diamond* (湘窖•水晶鑽). In particular, *Xiang Jiao* has been undergoing rapid growth on its premium and deluxe sauce aroma baijiu products, mainly *Xiang Jiao Long Jiang* series. In the second half of 2024, *Xiang Jiao* launched *Iron Cover Long Jiang* (鐵蓋龍匠) as a strong addition within the *Xiang Jiao Long Jiang* series, which widely captured the market's acclaim, significantly boosting *Xiang Jiao*'s brand recognition and unlocking new avenues for growth. In addition, *Xiang Jiao Red Diamond* (湘窖•紅鑽) and *Yao Qing Jiang Jiu* (要情•醬酒) were awarded the Grand Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles in 2018 and 2023, respectively. *Xiang Jiao Long Jiang* was also awarded the Grand Gold Medal from the International Spirits Grand Challenge (China) in 2024. *Xiang Jiao* generated approximately 11.4% of our revenue for the year ended December 31, 2024.

Kai Kou Xiao

Recognized as a China Well-known Trademark in 2010, *Kai Kou Xiao* is an established baijiu brand in Hunan with a focus on mid-range markets. We name the brand *Kai Kou Xiao*, or "A Big Smile" in English, because we aspire to spread the joyfulness of life through our baijiu products. We strategically focus on promoting and marketing our *Kai Kou Xiao* products at the local market in Hunan Province, where we have achieved substantial market acceptance, establishing the foundation for the brand's long-term sustainable development. At *Kai Kou Xiao* we mainly offer strong aroma baijiu products targeting the mid-range market, represented by *Kai Kou Xiao 15* (開口笑十五), *Kai Kou Xiao 9* (開口笑九) and *Kai Kou Xiao 16* (開口笑十六). In 2023, *Kai Kou Xiao 16* was awarded the Gold Medal from the Spirits Selection by Concours Mondial de Bruxelles. *Kai Kou Xiao* generated approximately 4.8% of our revenue for the year ended December 31, 2024.

Product Development

Baijiu production technique is a precious national heritage of China, and we pride ourselves on inheriting the time-honored baijiu-making techniques and reinvigorating them to develop iconic recipes and flavor.

We have a dedicated product development team responsible for product development and package design. As of December 31, 2024, our product development team consisted of 252 employees, among whom a vast majority have a bachelor's degree or above. Our product development team is spearheaded by a technical committee consisting of 78 recognized baijiu experts with extensive industry and product development experiences, among whom nine are national baijiu appraisers, 11 hold senior liquor-maker certificates, six hold senior engineer qualifications and 52 are provincial baijiu adjudicators.

We have also strengthened our product development capabilities by collaborating with several universities and research institutions, such as Jiangnan University, Guizhou University, Tianjin University of Science and Technology and SinoLight Inspection & Certification Co., Ltd. (中輕檢驗認證有限公司). With the technical support from these academic institutions, we have identified certain traceable components in baijiu production for the enhancement of the flavor and functional quality of our baijiu products. Under our collaboration agreements with the third-party institutions, we retain the proprietary right to all jointly developed patents. In 2024, we have entered into a strategic cooperation agreement with Guizhou University and have set up a teaching and research base. Moreover, in collaboration with Guizhou University and a seed company, we will carry out certain tasks associated with the project titled “Quality Standardization and Application Promotion of Special Wheat for Sauce Aroma Daqu” (《醬香大麴專用小麥品質標準化及應用推廣》) as part of the Scientific and Technological Research by Hundred Schools and Thousand Enterprises (百校千企科技攻關揭榜掛帥) initiative of the Department of Education of the Guizhou Province for the year 2024.

Production Facilities

We selectively locate *Zhen Jiu*'s production facilities for sauce aroma baijiu in Guizhou's Zunyi region, a place that is widely considered ideal for making fine sauce aroma baijiu in China, to secure the unique texture and taste of our *Zhen Jiu* products.

As of December 31, 2024, we operated seven production facilities in China. Our production facilities consist of qu-making plants, fermentation and distillation plants, blending plants, and filling and packaging plants, corresponding to the pivotal steps of baijiu-making. These production facilities are equipped with machinery, fermentation pits, barns, as well as bottling and packaging lines and warehouses. Furthermore, our production facilities are equipped with advanced technologies and equipment, including automated production lines, to streamline and optimize the entire production process.

In the past years, we have stored extensive base liquor inventory to support the rapid development of our premium and deluxe baijiu products. Sizable base liquor production capacity and storage of base liquor inventory have always been our strategic focus and core competitiveness. With the continuous expansion of our production capacity, we would be able to (i) reserve sufficient vintage base liquor for the continuous expansion of our premium and deluxe product offerings and strengthen our competitiveness in the premium and above baijiu markets; (ii) provide sufficient high-quality base liquor to support the rising demand of our premium and above baijiu products; and (iii) gradually replace third-party base liquor supplies with our own to improve our gross profit margin.

Sales Channels

We have built a multi-channel sales network that effectively caters to the diverse needs of different customer groups and enables us to continuously expand our reach to consumers. We gained access to our target consumers through a nationwide network of distributors consisting of (i) distribution partners, who primarily purchase our baijiu products from us and subsequently distribute them to sub-distributors, such as supermarkets and tobacco and liquor stores, and end consumers; (ii) store partners, with whom we collaborate closely to establish our single-brand featured stores. These stores not only serve as retail outlets for our baijiu products, but also create immersive and engaging consumer experiences through a range of versatile events; and (iii) retailers, including tobacco and liquor stores, retail partners, restaurants and supermarkets that sell our products directly to end consumers. In addition to these distribution channels, we also have a dedicated direct sales force organized by brand and geographic areas that primarily serve end consumers and corporate customers, ensuring a personalized and tailored approach to meet the specific requirements of different customer groups. Furthermore, we also operate online stores on various e-commerce platforms in China, leveraging the power of digital platforms to reach a broader audience and provide the market with convenient access to our products.

In order to cope with the increasing competition in traditional distribution channels for baijiu products, *Zhen Jiu* has implemented a dual-channel growth strategy. In addition to traditional distribution channels, we are committed to developing regional key opinion leaders (KOLs) with strong social networks and high drinking frequency for social occasions as our distributors in emerging channels. These distributors possess robust sales capabilities for baijiu products and can continuously convert new, emerging channel distributors within their social networks, creating a ripple effect on our strategic efforts. Distributors and consumers in traditional and emerging channels differ in terms of operating model, consumption pattern and development stage. Therefore, *Zhen Jiu* has further devised a clearer strategy for its two main business divisions so that each business division can develop traditional and emerging channels, respectively, each with a differentiation strategy for product portfolio, pricing mechanism and channel network.

In 2024, we have persevered in the implementation of the dual-channel growth strategy and optimized our organizational structure with a view to improving the effectiveness of this strategy. We utilized this strategy to capitalize on the business development opportunities in *Zhen Jiu*'s premium and deluxe package-free baijiu products, further solidifying our market position in the premium and deluxe market segments. We have achieved success in developing emerging channels, leading to a double-digit growth in sales revenue in this segment in 2024, which has become the second growth driver for *Zhen Jiu*.

The following table sets forth the number of distributors involved in each type of distribution channel as at December 31, 2023 and December 31, 2024, respectively.

	As at December 31	
	2024	2023
Distribution partners	3,204	2,938
Featured stores	1,097	1,180
Retailers	3,334	3,143
Total	7,635	7,261

Digital Infrastructure

We adopted digital infrastructure to foster growth and optimize efficiency. We have established an integrated digitalized management system as a core component to support major aspects of our operations. Leveraging the power of data analytics, we are able to make informed business decisions, streamline operations and improve cost effectiveness, which ultimately enhances our overall profitability.

In terms of our production data, we have developed applications and systems to manage our procurement, brewing and storage with the objective to optimize the entire production process and improve supervision efficiency. For example:

- *Quality Management System:* In 2024, we successfully established a comprehensive quality management system that encompasses the entire process beyond the overall quality control, streamlining from procurement stage, production process and laboratory setting all the way to the quality in our finished products and after-sales stage. This system facilitates precise batch quality management, efficient quality traceability, and in-depth quality analysis, all while adhering to both national and corporate quality management standards.
- *Intelligent Weighing Monitoring System:* By the end of 2024, we completed the construction of our intelligent weighing monitoring system. This system integrates video surveillance, smart license plate recognition, and automatic weighing hardware, paired with dedicated intelligent monitoring software. It facilitates automatic weighing, real-time data uploads, and full video and photo documentation across various operational scenarios, greatly improving the efficiency of weighing and ensuring the accuracy and integrity of the data.
- *Raw Grain Supply Chain System:* In 2023, we launched our raw grain supply chain system, which traces and monitors the whole process from grain allocation to procurement and warehousing, significantly improving our procurement efficiency while ensuring the quality of grain procurement.
- *Base Liquor Management System:* We have allocated a unique digital code for each base liquor container used for storage to carry out fine management of base liquor with different vintages and values. We also use 3D scanning technology to establish digital models for the containers for storing long-aged base liquor, so that we can quickly measure and track the volume of stored base liquor with sensors in a more accurate and non-invasive way.

As for our sales digitalization, we have developed proprietary Weixin applets and applications to directly engage with end-consumers, empower front-line employees, collect, and analyze key performance indicators of our business in a real-time manner. Particularly, we have utilized digital operation tools, coupled with a comprehensive set of channel inventory management policies, to optimize our channel inventory levels. For example:

- *Li Du Distillery Tour System:* In the second half of 2024, *Li Du* launched the “National Treasure Experience Tour” (國寶體驗遊) system, which comprehensively upgraded the distillery tour process designed for better interaction amongst the sales personnel, the experience service department, and our guests. This system covers itinerary submission, resource allocation, guest notifications, online experiences, on-site orders, and experience sharing, achieving full online integration of the process. Since its implementation, this system has significantly improved management efficiency, boosted sealed storage baijiu conversions, and enhanced ongoing engagement with our guests.
- *Channel Management Platform:* Our self-developed integrated service platform – Channel Management Platform, involves a number of Weixin applets and applications implemented throughout the sales process to improve the transparency of the distribution channel and promote sales efficiency. By accessing the Weixin applets and logging into the applications, distributors can efficiently and conveniently manage the entire distribution process and perform logistics tracking, including procurement, inventory management and sales to consumers.
- *QR Code System:* We developed a QR code system that enables more efficient control and management of distribution channels. A QR code is assigned to each baijiu product and the whole distribution process can be recorded by scanning the QR code. This enables our marketing managers to promptly identify any possible misconduct during the sales process based on checking and analysis of the records for the expected distribution area, which significantly reduces labor costs while strengthening the control and management of distributors. Additionally, we closely inspect and analyze distributors’ inventories on-site on both regular and unscheduled bases. This allows us to cross check the authenticity of their orders and inventory levels against the sales records enabled by our QR code system and consequently monitor the inventory level of our distributors throughout the entire distribution process.

By leveraging digital technology and data analytics, we have transformed our operations and achieved greater efficiency and profitability. This digital transformation also enables us to engage directly with our consumers, empower our employees, and make data-informed decisions that propel our business forward.

Business Updates

Continued Improvement in the Channel Development and Management

We have continued to work on building a consumer-centric distribution network that operates on a flat structure with nationwide coverage. We believe that the empowerment of our distributors and shared benefits throughout our distribution network would be a strong driving force to our expansion. In 2024, *Zhen Jiu*'s dual-channel growth strategy has made further progress. This is particularly the case within the premium baijiu business division, where we have consistently refined our development and conversion model for high-quality external customers, achieving an impressive double-digit growth despite a challenging environment. This will continue to serve as *Zhen Jiu*'s second growth driver in the coming years. Meanwhile, our traditional distribution channels have undergone professional specialization in sales, operations, and supervision. To enhance channel management, we consistently leverage digital tools to strengthen the monitoring of transaction flows within these channels. Moreover, our brands' premium and deluxe product series have made innovative adjustments to channel policies, to better manage channel order and maintain price stability, and to allocate resources tilted towards high-quality distributors, further solidifying the long-term, mutually beneficial relationship between us and distributors.

Furthermore, to facilitate the implementation of *Zhen Jiu*'s dual-channel growth strategy, we have optimized the organizational structure of our premium baijiu business division in the second quarter of 2024. This aims to sharpen our focus on expanding our high-end customer base in key markets and provide stronger support for the growth of our package-free baijiu product series. In the third quarter of 2024, we established a dedicated Zhen 30 business division to enhance the development of the Zhen 30 Series, *Zhen Jiu*'s flagship product. This move provides greater flexibility and resources for strategic planning and execution.

Latest Development of Our Production Facilities

We also continued to progressively increase our overall production capacity to satisfy market demand by expanding our existing production facilities and constructing new production facilities. Our increased production capacity allowed us to gradually increase our production of base liquor. The following are some of the highlights in relation to the development of our production facilities during 2024:

- **Zhen Jiu Mao Tai Zhen Shuang Long (茅台鎮雙龍):** In the first half of 2024, this site had completed the construction of a qu-making plant and put into operation in August 2024. This qu-making plant can produce sufficient qu bricks to support the aggregate annual production capacity of this site. As at December 31, 2024, the aggregate annual production capacity of sauce aroma base liquor at this site had reached 3,400 tons. Furthermore, in 2024, this site has substantially completed all of the river and ditch maintenance at this site.
- **Zhen Jiu Bai Yan Gou (白岩溝):** By the end of 2024, the construction of seven base liquor storerooms was nearly complete, and they will become operational in the first half of 2025, thereby reaching a storage capacity of 38,000 tons.

- **Zhen Jiu Zhao Jia Gou (趙家溝):** In 2024, the construction of all five baijiu storage facilities at this site has made significant progress, three of them were completed and put into use in 2024, while the construction of the remaining two is expected to be completed by the first half of 2025. These five facilities will contribute an additional storage capacity of 53,000 tons. Furthermore, the three distilleries at this site have been deployed in September 2024, with a designed production capacity of 3,000 tons of base liquor per annum.
- **Li Du Zheng Jia Shan (鄭家山):** In 2024, a semi-finished-product warehouse at this site has been put into use. The construction of two base liquor storage facilities at this site have also been completed. These two storage facilities have passed the requisite inspection in early 2025 and are expected to be operational in the first half of 2025. The construction of two base liquor warehouses and one finished-product warehouse, which commenced in the first half of 2024, has been also completed. These warehouses have passed the requisite inspection in late 2024 and are expected to be operational in the first half of 2025, expanding our base liquor storage capacity by 19,200 tons and our finished-product storage capacity by 300 tons, respectively. Furthermore, the construction of a packaging plant, which began in late 2023, continued during the Reporting Period and is expected to be completed in the first half of 2025.
- **Xiang Jiao Jiang Bei (江北):** A new base liquor storage facility at this site, which completed constructions in the second half of 2023, has passed the requisite inspection and put into use in late 2024, increasing our base liquor storage capacity by 5,000 tons. We also commenced the construction of an additional base liquor storage facility in the second half of 2024, which is expected to be completed in the second half of 2025, increasing the base liquor storage capacity by another 5,000 tons.

Brand Promotion and Brand Value

Our continued investment in brand promotion creates a strong brand presence in the baijiu industry which resonates with our target consumers. *Zhen Jiu* launched an upgraded series of tasting events and distillery tours in the first half of 2024. This series of upgraded high-end tasting events of *Zhen Jiu*, the “National Banquet • Zhen”, has gained widespread attention and appreciation in the baijiu industry, which plays a key role in enhancing *Zhen Jiu*’s brand power and supporting our continued diffusion and proliferation into the high-end customer groups. More importantly, *Zhen Jiu* has established the sealed storage baijiu sales model centered around high-end tasting events “National Banquet • Zhen” and “Holy Land Distillery Tour”. Upon completion of the Bai Yan Gou Distillery Tour Base in the coming years, we will integrate tasting events, distillery tours, sealed storage baijiu sales and membership systems into a seamless ecosystem. “National Banquet • Zhen” has been awarded the China Alcoholic Drinks Golden Prosperity Award – The Best Marketing Case in China’s Alcoholic Drinks Industry in 2024 (中國酒業金盛獎 – 2024中國酒業最佳營銷案例). The Company’s brand value was further acknowledged in 2024 through recognition by two prominent publications: (i) People’s Daily (《人民日報社》), which included the Company as one of the China’s Brand Building Case Studies (中國品牌建設案例) and (ii) National Business Daily (《每日經濟新聞》), which included the Company in the China’s Top 100 Listed Private Enterprise by Brand Value (中國民營上市公司品牌價值榜 TOP100).

We have also taken a step forward and embarked on a journey to spread our brand awareness outside Mainland China. In April 2024, we hosted the seminar titled “The First Anniversary of ZJLD Listing cum 2024 International Development Trend of the National Treasure Li Du” (珍酒李渡上市一周年暨2024國寶李渡國際發展趨勢研討會) in Hong Kong and Macau, through which we have brought together our top 50 excellent business partners to discuss the potential to expand *Li Du*’s reach globally. In May 2024, Li Du Song Banquet (李渡宋宴) made its way to Kyoto, Japan, marking the brand’s international debut and setting the stage for the “Moveable Feast” (流動的盛宴) to expand beyond the national borders. This event has unveiled *Li Du*’s international expansion, which is not only a showcase of the Song Dynasty aesthetic that we carefully crafted for this brand, but also serves as a crucial platform for fostering exchanges and mutual understanding between the liquor industries of China and Japan. Furthermore, as a welcomed surprise, we excavated a Hongzhou Kiln of the Tang Dynasty during the expansion of the *Li Du* distillery. Hongzhou Kiln is an important celadon kiln in the Chinese history. From the the Hongzhou Kiln of the Tang Dynasty to the ancient baijiu distillery of the Yuan Dynasty, both serving as valuable additions that significantly while perfectly complement *Li Du*’s brand image, which is consistently grounded in its rich history and cultural heritage.

By investing in these strategic brand promotion initiatives and showcasing our brand’s unique identity, we have solidified our brand value and gained recognition within the industry. These achievements reflect our dedication to delivering exceptional products and experiences to our valued customers.

Our ESG Initiatives

We have continued to recognize the crucial role that ESG principles play in shaping a sustainable and responsible business. These principles have remained at the core of our strategic decisions and operational practices, enabling us to generate positive impacts not only within our company but also on the wider communities and environment we are a part of.

One key initiative in our ESG practice is the transition from ceramic to glass bottles in our packages, which was driven by the high energy consumption during the firing process of ceramic bottles and the fact that they cannot be recycled. In early 2024, we also launched *Zhen Jiu 2013 Real Vintage Baijiu*, which expanded our package-free product line within the deluxe price range and complemented our 2023 launches. The key features of this package-free product line are the use of biodegradable materials coupled with a luxurious minimalist design, catering to business banquets and private collectors. These sustainable product strategies have contributed to the Group's ESG commitment and resulted in cost reductions as well, setting a positive trajectory for continued improvements in 2025 and beyond.

In addition to green packaging, the Group has also been promoting sustainable development through a series of environmental initiatives and realized a reduction in production costs. As part of the Group's energy management, we have actively promoted photovoltaic projects in our distilleries to further increase the proportion of renewable energy in the overall energy consumption. In 2024, the proportion of green electricity consumed by the Group reached more than 50%. In addition, the *Zhen Jiu*, *Li Du* and *Xiang Jiao* distilleries continuously enhanced energy efficiency according to the requirements of ISO 50001 energy management system. In terms of water stewardship, we installed a water recycling system for the packaging bottles and the reclaimed cooling water recycling system. Driven by the 2025 strategic goals, the Group has achieved a significant decrease in electricity consumption intensity, natural gas consumption intensity and water withdrawal intensity compared to the intensity in 2021. The use of renewable energy and the continuous improvement in energy and water efficiency have not only helped us reduce our environmental impact but also brought about substantial cost savings for the Group.

In 2024, our commitment to sustainability and responsible business practices were recognized by several external authoritative institutions. Additionally, for the second consecutive year, we received an ESG "AA" rating from Wind, a financial information service provider in China, and were selected in the Wind China Listed Companies ESG Top 100 list. This recognition is a testament to our in-depth practice and significant achievements in the field of ESG. In addition to other awards, we also received the 2024 Awards of Excellence in ESG hosted by the Chamber of Hong Kong Listed Companies (CHKLC) and Hong Kong Baptist University, ESG Excellence Enterprise Award by the Top 100 Hong Kong Listed Companies Research Centre as well as the Outstanding Green Sustainable Development Award and the Outstanding Social Sustainable Development Award hosted by Metro Finance. Furthermore, *Zhen Jiu* and *Xiang Jiao* were conferred the title of "National Green Factory" (國家級綠色工廠) by the Ministry of Industry and Information Technology of the People's Republic of China in 2024. Recently, we have also received CDP thematic scores "A-" in respect of climate and water security, positioning us as a leader in China's food and beverage industry.

OUTLOOK

Looking ahead into 2025, while we still expect the baijiu industry to encounter certain challenges, we remain steadfast in our core strategy of pursuing high-quality and sustainable development. We aim to achieve breakthroughs in brand building, quality enhancement, channel innovation, and social responsibility. We will continue to further strengthen our market position in the sauce aroma baijiu market and premium and above baijiu market which will drive our sustainable growth. Specifically, we will continue to implement a comprehensive strategy that focuses on various key initiatives including (i) exploring business growth opportunities, especially expanding from business consumption scenarios to various consumption scenarios such as banquets, and developing other segmented channels with baijiu sales potential; (ii) improving the quality of our distributor base and optimizing the structure of our distribution channels, especially the dual-channel growth strategy for *Zhen Jiu*; (iii) further penetrating experience-centric marketing strategy centered around tasting events and distillery tours. Through short video platforms, prominent landmark and building advertisements, and sponsorships of high-end offline events, we have constructed a multifaceted marketing strategy to cover a broader consumer base; and (iv) investing more resources to develop core products in the premium and mid-range price to cope with the current consumption trends.

The year 2025 is a landmark year for our Group, as it marks the 50th anniversary of *Zhen Jiu*. Seizing this opportunity, we will conduct extensive brand building and promotional activities across our key sales regions and introduce related products to significantly boost brand influence. 2025 also marks the inaugural year for establishing the vision of “striving to be a world-class spirit company”, during which we will substantially enhance our production, management, sales, and other operations.

Looking ahead, the Group remains confident in the long-term growth prospects of China’s baijiu industry and our business, driven by the rising popularity of sauce aroma baijiu and the ongoing consolidation within the baijiu market, despite the temporary challenges the industry faces.

FINANCIAL REVIEW

Revenue

We offer a wide selection of baijiu products with diverse aroma profiles, and generate revenue from selling them through a nationwide network of distributors and our direct sales channels. Our revenue increased by 0.5% to RMB7,066.8 million for the year ended December 31, 2024 (FY2023: RMB7,030.5 million).

Revenue by Baijiu Brand

The following table sets forth a breakdown of our sales volume, average selling price and revenue in absolute amounts and as percentages of the total revenue by baijiu brand, for the year ended December 31, 2023 and 2024, respectively.

	For the year ended December 31,							
	2024		% of Total Revenue	Selling Price ⁽¹⁾	2023		% of Total Revenue	Selling Price ⁽¹⁾
	Sales Volume (tons)	Revenue (RMB'000)			Sales Volume (tons)	Revenue (RMB'000)		
<i>Zhen Jiu</i>	12,284	4,479,665	63.4	365	12,630	4,583,208	65.2	363
<i>Li Du</i>	3,033	1,312,924	18.6	433	2,429	1,109,585	15.8	457
<i>Xiang Jiao</i>	1,243	802,471	11.4	645	1,415	833,629	11.9	589
<i>Kai Kou Xiao</i>	2,366	337,364	4.8	143	3,342	384,713	5.5	115
Others ⁽²⁾	5,902	134,360	1.9	23	6,251	119,332	1.7	19
Total	24,827	7,066,784	100.0	285	26,067	7,030,467	100.0	270

Notes:

- (1) The average selling price is the average revenue per unit which equals to the revenue generated from each brand divided by the corresponding sales volume for such brand in the relevant reporting period.
- (2) Others consist primarily of baijiu products under the brand *Shao Yang*.
- (3) Any discrepancies in this table between the total and sums of amounts are due to rounding.

For the year ended December 31, 2024, revenue of some of our baijiu brands experienced growth while others encountered slight decline:

- Revenue generated from *Zhen Jiu* decreased by 2.3% to RMB4,479.7 million for the year ended December 31, 2024 (FY2023: RMB4,583.2 million). This was primarily because (i) the sales channels for the standard edition of Zhen 30 Series were adjusted and expanded to traditional distribution channels in 2024, while *Zhen Jiu* strategically slowed down the pace of the market expansion of Zhen 30 Series in the second half of 2024 and reduced sub-product editions of Zhen 15 Series and Zhen 30 Series with an aim to stabilize market prices and ensure long-term growth; and (ii) certain mid-range and below products with lower unit price and gross profit margin were cut down under e-commerce division of *Zhen Jiu* following the adoption of product structure optimization strategy.

- Revenue generated from *Li Du* increased by 18.3% to RMB1,312.9 million for the year ended December 31, 2024 (FY2023: RMB1,109.6 million). This was primarily due to the rapid growth of our flagship products series, namely *Li Du Sorghum 1308* and *Li Du Sorghum 1975*, along with our expansion into markets beyond Jiangxi Province.
- Revenue generated from *Xiang Jiao* decreased by 3.7% to RMB802.5 million for the year ended December 31, 2024 (FY2023: RMB833.6 million). This was primarily due to moderate decrease in sales of *Xiang Jiao* strong aroma series, partially offset by the revenue growth in *Xiang Jiao Long Jiang* series.
- Revenue from *Kai Kou Xiao* decreased by 12.3% to RMB337.4 million for the year ended December 31, 2024 (FY2023: RMB384.7 million). This was primarily because (i) the sluggish wedding banquet market in 2024 impacted the sales of *Kai Kou Xiao* in the local Hunan market; and (ii) we had been proactively reduced the sales of certain low-margin products.

Revenue by Price Range

The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue by price range for the year ended December 31, 2023 and 2024, respectively.

	For the year ended December 31,			
	2024		2023	
	Revenue	% of Total	Revenue	% of Total
	(RMB'000)	(%)	(RMB'000)	(%)
Deluxe	1,708,576	24.2	1,915,859	27.3
Premium	2,995,386	42.4	2,753,841	39.2
Mid-range and below	2,362,822	33.4	2,360,767	33.6
Total	7,066,784	100.0	7,030,467	100.0

Note: Any discrepancies in this table between the total and sums of amounts are due to rounding.

For the year ended December 31, 2024, we have continued to optimize our product portfolio and expand our premium and above product offerings:

- Revenue generated from deluxe baijiu products decreased by 10.8% to RMB1,708.6 million for the year ended December 31, 2024 (FY2023: RMB1,915.9 million). This was primarily because (i) we focused on our premium products in response to the demand trends in the baijiu market; (ii) the sales channels for standard edition of Zhen 30 Series were adjusted and expanded to the traditional distribution channels, while *Zhen Jiu* strategically slowed down the pace of the market expansion of Zhen 30 Series in the second half of 2024 and reduced sub-product editions of Zhen 30 Series; and (iii) there was a moderate decrease in sales of *Xiang Jiao*'s strong aroma deluxe products as *Xiang Jiao* focused on promoting the sauce aroma products under the *Xiang Jiao Long Jiang* series in the premium and above price ranges in 2024.

- Revenue generated from premium baijiu products increased by 8.8% to RMB2,995.4 million for the year ended December 31, 2024 (FY2023: RMB2,753.8 million). This was primarily because we focused on our premium products in response to the demand trends in the baijiu industry, such as premium price range products within *Xiang Jiao Long Jiang* series, and *Li Du Sorghum 1975*, both of which achieved considerable revenue growth.
- Our revenue generated from mid-range and below baijiu products increased slightly by 0.1% to RMB2,362.8 million for the year ended December 31, 2024 (FY2023: RMB2,360.8 million).

Revenue by Sales Channel

The following table sets forth a breakdown of our revenue in absolute amounts and as percentages of the total revenue by sales channels for the year ended December 31, 2023 and 2024, respectively.

	For the year ended December 31,			
	2024		2023	
	Revenue	% of Total	Revenue	% of Total
	(RMB'000)	(%)	(RMB'000)	(%)
Distributors	6,355,660	89.9	6,227,347	88.6
Direct sales	711,124	10.1	803,120	11.4
Total	7,066,784	100.0	7,030,467	100.0

The Group primarily sells baijiu products through a nationwide network of distributors as well as via direct sales team. The revenue generated from distributors increased by 2.1% to RMB6,355.7 million for the year ended December 31, 2024 (FY2023: RMB6,227.3 million). Meanwhile, the revenue generated from direct sales decreased by 11.5% to RMB711.1 million for the year ended December 31, 2024 (FY2023: RMB803.1 million). This was primarily due to our efforts to reduce sales of certain low-margin products on e-commerce platforms.

Cost of Sales

Our cost of sales primarily consisted of (i) cost of production materials, including cost of raw materials, depreciation and amortization and employee compensation for our personnel responsible for baijiu production, (ii) cost of packaging materials used to produce our baijiu products, (iii) tax and surcharges, primarily consumption tax charged in connection with sales of our baijiu products, and (iv) transportation cost, mainly representing logistics expenses for delivery of our baijiu products.

Our cost of sales decreased by 0.9% to RMB2,923.7 million for the year ended December 31, 2024 (FY2023: RMB2,950.5 million). This was primarily because (i) the revenue contribution of *Li Du*, which has a relatively low cost ratio, was increased by 2.8 percentage points in 2024 and (ii) *Zhen Jiu* effectively reduced the cost of sales by increasing the proportion of self-produced base liquor used and cutting high-cost product lines.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased slightly by 1.5% to RMB4,143.0 million for the year ended December 31, 2024 (FY2023: RMB4,079.9 million). Our gross profit margin was 58.6% for the year ended December 31, 2024, which remained stable as compared to a gross profit margin of 58.0% for the year ended December 31, 2023.

Gross Profit and Gross Profit Margin by Baijiu Brand

The following table sets forth a breakdown of our gross profit in absolute amounts and as percentages of revenue, or gross profit margin, by baijiu brand for the year ended December 31, 2023 and 2024, respectively.

	For year ended December 31,			
	2024		2023	
	Gross Profit	Gross Profit	Gross Profit	Gross Profit
	(RMB'000)	Margin (%)	(RMB'000)	Margin (%)
<i>Zhen Jiu</i>	2,624,369	58.6	2,663,562	58.1
<i>Li Du</i>	877,539	66.8	759,017	68.4
<i>Xiang Jiao</i>	474,942	59.2	492,629	59.1
<i>Kai Kou Xiao</i>	154,149	45.7	156,549	40.7
Others	12,041	9.0	8,191	6.9
Total	4,143,040	58.6	4,079,948	58.0

Note: Others consist primarily of baijiu products under the brand *Shao Yang*.

For the year ended December 31, 2024, some of our baijiu brands had experienced growth in gross profit while others encountered a slight decline:

- Gross profit from *Zhen Jiu* decreased by 1.5% to RMB2,624.4 million for the year ended December 31, 2024 (FY2023: RMB2,663.6 million). Gross profit margin from *Zhen Jiu* increased to 58.6% for the year ended December 31, 2024 (FY2023: 58.1%). This was primarily due to continuous efforts of gradually replacing base liquor derived from the collaborated production with third-party distilleries with those produced in our own production which has lower production costs, partially offset by increased revenue contribution of premium products over revenue contribution of deluxe products.

- Gross profit from *Li Du* increased by 15.6% to RMB877.5 million for the year ended December 31, 2024 (FY2023: RMB759.0 million). Gross profit margin from *Li Du* decreased to 66.8% for the year ended December 31, 2024 (FY2023: 68.4%). This was primarily because the revenue contribution of mid-range and below products and premium products increased more than that of deluxe products, which is in line with our growth strategy to prepare for the future scaled expansion of the *Li Du* brand.
- Gross profit from *Xiang Jiao* decreased slightly by 3.6% to RMB474.9 million for the year ended December 31, 2024 (FY2023: RMB492.6 million). Gross profit margin from *Xiang Jiao* was 59.2% for the year ended December 31, 2024, which remained stable with a gross profit margin of 59.1% for the year ended December 31, 2023.
- Gross profit from *Kai Kou Xiao* decreased slightly by 1.5% to RMB154.1 million for the year ended December 31, 2024 (FY2023: RMB156.5 million). Gross profit margin from *Kai Kou Xiao* increased to 45.7% for the year ended December 31, 2024 (FY2023: 40.7%). This was primarily due to the implementation of product mix optimization measures, resulting in a significant decrease in sales volume of certain products with low unit prices and low gross margins in 2024.

Gross Profit and Gross Profit Margin by Price Range

The following table sets forth a breakdown of our gross profit and gross profit margin by price range for the year ended December 31, 2023 and 2024, respectively.

	For year ended December 31,			
	2024		2023	
	Gross Profit (RMB'000)	Gross Profit Margin (%)	Gross Profit (RMB'000)	Gross Profit Margin (%)
Deluxe	1,178,237	69.0	1,334,950	69.7
Premium	1,892,482	63.2	1,768,647	64.2
Mid-range and below	1,072,320	45.4	976,351	41.4
Total	4,143,040	58.6	4,079,948	58.0

Note: Any discrepancies in this table between the total and sums of amounts are due to rounding.

The gross profit margin of products in the deluxe price range and the premium price range decreased slightly, as compared to that of 2023, mainly due to the change in the product matrix within the deluxe and premium price range of our various brands. In addition, the gross profit margin of the mid-range and below price range products increased by 4 percentage points as a result of our initiative of product mix optimization in order to reduce the sales volume of products with low gross profit margin within this price range.

Selling and Distribution Expenses

Our selling and distribution expenses consist of (i) advertisement expenses relating to our advertisements placed across different media channels, such as television and radio, airport and railway stations and online channels, as well as relating to our other online and offline marketing and promotion activities, (ii) employee compensation, including salaries, welfare and bonuses for our sales and distribution personnel, (iii) travel and office expenses incurred by our sales and distribution personnel, and (iv) others, such as depreciation and amortization allocated to selling and distribution activities.

Our selling and distribution expenses decreased by 0.9% to RMB1,611.4 million for the year ended December 31, 2024 (FY2023: RMB1,626.8 million). This was primarily due to the (i) further improvement of the per capita sales of the sales team, resulting in a decrease in the proportion of labor costs to revenue for the sales team; and (ii) continuous optimization of marketing investment to enhance return on investment.

Administrative Expenses

Our administrative expenses consist of (i) employee compensation, including salaries, welfare and bonuses for our administrative staff, (ii) office and maintenance expenses, including business development expenses, repair and maintenance expenses, utilities charges and other office expenses, (iii) depreciation and amortization allocated to administrative activities, (iv) professional service fees, consisting primarily of costs associated with third-party consulting and professional services in our ordinary course of business, and (v) others.

Our administrative expenses increased by 20.4% to RMB576.4 million for the year ended December 31, 2024 (FY2023: RMB478.9 million). This was primarily due to (i) the increase in depreciation and amortization expenses for land used for certain office areas, buildings for management purposes, and ancillary equipment in the *Zhen Jiu* and *Li Du* facilities; and (ii) the increased investment in management and research and development.

Other Income

Our other income consists of (i) government grants, representing subsidies and benefits received from local governments in China, (ii) interest income on bank deposits and loans to third parties, (iii) net income or loss on foreign exchange, (iv) net income from sales of by-products and semi-finished products, such as lees and packaging materials, which were produced or left over during the course of baijiu production, (v) fees from distributors for breach of contracts, (vi) net gain or loss on disposal of property, plant and equipment, and (vii) others.

Our other income increased by 49.0% to RMB309.8 million for the year ended December 31, 2024 (FY2023: RMB207.9 million). This was primarily due to the increase in interest income.

Finance Costs

Our finance costs consist of (i) interest expenses on lease liabilities related to plant and buildings leased for own use and (ii) interest expenses of bank and other borrowings.

Our finance costs increased by 191.9% to RMB12.9 million for the year ended December 31, 2024 (FY2023: RMB4.4 million). This was primarily due to the increase of bank borrowings.

Income Tax

Our income tax expenses increased slightly by 2.2% to RMB570.7 million for the year ended December 31, 2024 (FY2023: RMB558.6 million). This was primarily due to the increase in profit from operations after adding back equity-settled share-based payment expenses.

Profit for the Year

Our net profit decreased by 43.1% to RMB1,323.6 million for the year ended December 31, 2024 (FY2023: RMB2,327.1 million). This was primarily due to the effect of certain items such as (i) changes in fair value in financial instruments issued to an investor recognized in 2023, which were one-off and non-cash in nature, (ii) equity-settled share-based payment expenses incurred in 2024, and (iii) expenses in connection with the Listing recognized in 2023, which were one-off expenses related to the Listing. Please see the section headed “Non-IFRS Measures” below for our operating performance eliminating the impact of these items.

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS Accounting Standards, we also use adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS Accounting Standards. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) and adjusted net profit margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS Accounting Standards.

The following table reconciles our adjusted net profit (non-IFRS measure) for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS.

	For the year ended December 31,	
	2024	2023
	<i>(RMB '000, except percentages)</i>	
Profit attributable to equity shareholders of the Company for the year	1,323,622	2,327,083
<i>Add:</i>		
Expenses in connection with the Listing ⁽¹⁾	–	40,406
Equity-settled share-based payment expenses ⁽²⁾	352,653	70,028
Changes in fair value in financial instruments issued to an investor	–	(814,915)
Adjusted net profit (non-IFRS measure)	<u>1,676,275</u>	<u>1,622,602</u>
Adjusted net profit margin (non-IFRS measure)	<u>23.7%</u>	<u>23.1%</u>

Notes:

- (1) Expenses in connection with the Listing relate to the Global Offering of the Company.
- (2) Equity-settled share-based payment expenses relate to the Awards granted on October 25, 2023 pursuant to the Post-IPO Equity Incentive Plan.

Our adjusted net profit (non-IFRS measure) for the year ended December 31, 2024 increased by 3.3% to RMB1,676.3 million (FY2023: RMB1,622.6 million). Our adjusted net profit margin (non-IFRS measure) for the year ended December 31, 2024 increased to 23.7% (FY2023: 23.1%).

Liquidity and Capital Resources

During the year ended December 31, 2024, we had funded our cash requirements principally from cash generated from our business operations and net proceeds from the Global Offering and bank and other borrowings. Our net cash generated from operating activities for the Reporting Period was approximately RMB781.0 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include depreciation expenses, equity-settled share-based payment expenses and interest income and expenses.

As at December 31, 2024, we had cash at bank and on hand of approximately RMB6,202.2 million (as at December 31, 2023: RMB6,053.2 million). As at December 31, 2024, our bank and other borrowings amounted to approximately RMB510.2 million (as at December 31, 2023: RMB36.6 million), including (a) interest-bearing bank loans in the amount of RMB473.6 million comprising (i) revolving credit facilities secured by an intra-group guarantee and (ii) discounted notes secured by pledge of bank acceptance notes, both of which were recognized in the consolidated statements of financial position using the effective interest method; and (b) unsecured and unguaranteed non-interest bearing third-party loans in the amount of RMB36.6 million. All of our borrowings are denominated in RMB.

Gearing Ratio

As at December 31, 2024, gearing ratio (calculated as net debt divided by total capital) was not applicable to our Group due to our net cash surplus position (as at December 31, 2023: N/A).

Contingent Liabilities

As of December 31, 2024, the Group had no material contingent liabilities.

Material Acquisitions and Disposals and Significant Investments

The Group did not have any material acquisitions and disposals or significant investments during the year ended December 31, 2024.

Future Plan for Material Investments or Capital Assets

As at December 31, 2024, save as disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and further explained in section headed “Use of Proceeds from the Global Offering” below, the Group had no future plan for material investments or capital assets.

Pledge of Assets

Save as disclosed above in the section headed “Liquidity and Capital Resources”, as of December 31, 2024, none of the Group’s assets was subject to any encumbrance, mortgage, lien, charge or pledge.

Capital Expenditure

For the year ended December 31, 2024, our total capital expenditure was approximately RMB996.0 million (FY2023: RMB961.2 million). Our capital expenditure primarily included our purchase of fixed assets and land use rights. We intend to fund our future capital expenditures with financial resources available to us, including our existing cash balance, cash generated from our operation activities, our available banking facilities and net proceeds from the Global Offering.

Foreign Exchange Exposure

During the year ended December 31, 2024, the Group conducted its business in China with the transactions settled in Renminbi. The functional currency of the Group’s subsidiaries in the PRC is RMB. There is a natural hedge mechanism in place during the course of its respective business operation and the impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will continue to keep track of the foreign exchange risk and take prudent measures to mitigate exchange risk, and take appropriate action where necessary.

Employees and Equity Incentive Plan

As of December 31, 2024, we had 11,380 full-time employees (as at June 30, 2024: 10,956 employees).

The staff costs, including salaries, wages and other benefits, contributions to defined contribution retirement plans as well as equity-settled share-based payment expenses, were approximately RMB2,224.4 million for the year ended December 31, 2024. We continue to offer onboarding trainings for all new hires, covering introduction to our brands, products and corporate values, and the overall production standards, sales policies and code of conducts, and design and offer targeted training programs for employees at various positions.

The Post-IPO Equity Incentive Plan was approved by way of shareholders' resolution on April 11, 2023, with effect from the Listing Date. The purpose of the plan is to incentivize and reward eligible participants for their contribution to the Group and to align their interests with that of the Company, so as to encourage them to work towards enhancing the value of the Company. The principal terms of the Post-IPO Equity Incentive Plan are summarized in the section headed "Statutory and General Information – D. Post-IPO Equity Incentive Plan" in Appendix IV to the Prospectus.

As at January 1, 2024, Awards corresponding to 117,292,500 Shares were granted pursuant to the Post-IPO Equity Incentive Plan. During the Reporting Period, (i) no additional Award had been granted or agreed to be granted under the Post-IPO Equity Incentive Plan; and (ii) the Awards corresponding to 1,206,666 Shares granted lapsed in accordance with the terms of the Post-IPO Equity Incentive Plan as a result of the relevant Grantees' voluntary resignation or inability to meet their individual annual performance targets. As such, the Company has granted Awards corresponding to 116,085,834 Shares pursuant to the Post-IPO Equity Incentive Plan as at December 31, 2024, which accounted for 3.43% of the total issued shares of the Company. Amongst the Grantees, three of them are executive Directors of the Company, namely, Mr. Yan Tao, Ms. Zhu Lin and Mr. Luo Yonghong. Save for these three executive Directors, none of the Awards has been granted to any connected person (as defined in the Listing Rules) of the Company. During the year ended December 31, 2024, the Awards corresponding to 38,677,222 Shares granted has been vested.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

(Expressed in Renminbi (“RMB”))

	Note	2024 RMB'000	2023 RMB'000
Revenue	3	7,066,784	7,030,467
Cost of sales		<u>(2,923,744)</u>	<u>(2,950,519)</u>
	3(b)	<u>4,143,040</u>	<u>4,079,948</u>
Other income	4	309,765	207,927
Selling and distribution expenses		(1,611,383)	(1,626,780)
Administrative expenses		(576,398)	(478,908)
Equity-settled share-based payment expenses	5(b)	(352,653)	(70,028)
Impairment (loss)/gain on trade receivables		<u>(5,156)</u>	<u>3,428</u>
Profit from operations		1,907,215	2,115,587
Finance costs	5(a)	(12,883)	(4,414)
Expenses in connection with the listing of the Company's shares		–	(40,406)
Changes in fair value in financial instruments issued to an investor		<u>–</u>	<u>814,915</u>
Profit before taxation	5	1,894,332	2,885,682
Income tax	6	<u>(570,710)</u>	<u>(558,599)</u>
Profit attributable to equity shareholders of the Company for the year		<u>1,323,622</u>	<u>2,327,083</u>
Other comprehensive income for the year (after tax)			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements into presentation currency		<u>120,977</u>	<u>278,810</u>
Total comprehensive income attributable to equity shareholders of the Company for the year		<u>1,444,599</u>	<u>2,605,893</u>
Earnings per share			
Basic (RMB)	7(a)	<u>0.404</u>	<u>0.783</u>
Diluted (RMB)	7(b)	<u>0.400</u>	<u>0.485</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

(Expressed in RMB)

	<i>Note</i>	At 31 December 2024 <i>RMB'000</i>	At 31 December 2023 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		4,998,346	4,512,715
Deferred tax assets		152,921	182,793
		<u>5,151,267</u>	<u>4,695,508</u>
Current assets			
Inventories	8	7,503,414	6,383,479
Trade and bills receivables	9	418,313	243,128
Prepayments, deposits and other receivables		331,626	202,362
Cash at bank and on hand	10	6,202,220	6,053,224
		<u>14,455,573</u>	<u>12,882,193</u>
Current liabilities			
Trade and bills payables	11	1,424,776	1,070,012
Other payables, accruals and contract liabilities	12	3,428,756	3,436,396
Bank and other borrowings		510,161	36,600
Lease liabilities		10,508	13,827
Current taxation		229,875	295,978
		<u>5,604,076</u>	<u>4,852,813</u>
Net current assets		<u>8,851,497</u>	<u>8,029,380</u>
Total assets less current liabilities		<u>14,002,764</u>	<u>12,724,888</u>
Non-current liabilities			
Lease liabilities		19,162	25,282
Deferred tax liabilities		31,543	23,852
		<u>50,705</u>	<u>49,134</u>
NET ASSETS		<u>13,952,059</u>	<u>12,675,754</u>
CAPITAL AND RESERVES			
Share capital		45	43
Reserves		13,952,014	12,675,711
TOTAL EQUITY		<u>13,952,059</u>	<u>12,675,754</u>

NOTES

(Expressed in RMB unless otherwise indicated)

1 CORPORATE INFORMATION

ZJLD Group Inc (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands on 24 September 2021. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 April 2023. The Company and its subsidiaries (together, the “Group”) are principally engaged in the making, production and sales of baijiu products.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all IFRS Accounting Standards as issued by the International Accounting Standards Board (the “IASB”). These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). Material accounting policies adopted by the Group are set out below.

The IASB has issued certain amendments to IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Group.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRS Accounting Standards issued by the IASB to these financial statements for the current accounting period:

- Amendments to IAS 1, *Presentation of financial statements – Classification of liabilities as current or non-current* and amendments to IAS 1, *Presentation of financial statements – Non-current liabilities with covenants*
- Amendments to IFRS 16, *Leases – Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows* and IFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in the making, production and sales of baijiu products. Further details regarding the Group's principal activities are disclosed in Note 3(b). Revenue disaggregated by major brands of baijiu products is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Zhen Jiu	4,479,665	4,583,208
Li Du	1,312,924	1,109,585
Xiang Jiao	802,471	833,629
Kai Kou Xiao	337,364	384,713
Others	134,360	119,332
	<u>7,066,784</u>	<u>7,030,467</u>

All of the revenue of the Group is generated from the sales of baijiu products and is recognised at a point in time during the year.

The Group's customer base is diversified and there is no single customer (2023: Nil) with whom transactions have exceeded 10% of the Group's revenue in 2024.

(b) Segment reporting

The Group manages its businesses by brands of baijiu products. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments.

- Zhen Jiu: this segment engages in the making, production and sales of baijiu products under the brand "Zhen Jiu".
- Li Du: this segment engages in the making, production and sales of baijiu products under the brand "Li Du".
- Xiang Jiao: this segment engages in the making, production and sales of baijiu products under the brand "Xiang Jiao".
- Kai Kou Xiao: this segment engages in the making, production and sales of baijiu products under the brand "Kai Kou Xiao".
- Others: this segment engages in the making, production and sales of baijiu products under the brand "Shao Yang" and other brands.

(i) Segment results

For the purposes of assessing segment performance and allocating resources, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments. The measure used for reporting segment result is gross profit. No inter-segment sales have occurred during the year. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other income, selling and distribution expenses, administrative expenses, equity-settled share-based payment expenses, impairment (loss)/gain on trade receivables, finance costs, expenses in connection with the listing of the Company's shares, changes in fair value in financial instruments issued to an investor, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance during the year is set out below.

	2024					Total RMB'000
	Zhen Jiu RMB'000	Li Du RMB'000	Xiang Jiao RMB'000	Kai Kou Xiao RMB'000	Others RMB'000	
Revenue from external customers	<u>4,479,665</u>	<u>1,312,924</u>	<u>802,471</u>	<u>337,364</u>	<u>134,360</u>	<u>7,066,784</u>
Reportable segment gross profit	<u>2,624,369</u>	<u>877,539</u>	<u>474,942</u>	<u>154,149</u>	<u>12,041</u>	<u>4,143,040</u>

	2023					Total RMB'000
	Zhen Jiu RMB'000	Li Du RMB'000	Xiang Jiao RMB'000	Kai Kou Xiao RMB'000	Others RMB'000	
Revenue from external customers	<u>4,583,208</u>	<u>1,109,585</u>	<u>833,629</u>	<u>384,713</u>	<u>119,332</u>	<u>7,030,467</u>
Reportable segment gross profit	<u>2,663,562</u>	<u>759,017</u>	<u>492,629</u>	<u>156,549</u>	<u>8,191</u>	<u>4,079,948</u>

(ii) Reconciliation of reportable segment profit or loss

	2024 RMB'000	2023 RMB'000
Reportable segment gross profit	4,143,040	4,079,948
Other income	309,765	207,927
Selling and distribution expenses	(1,611,383)	(1,626,780)
Administrative expenses	(576,398)	(478,908)
Equity-settled share-based payment expenses	(352,653)	(70,028)
Impairment (loss)/gain on trade receivables	(5,156)	3,428
Finance costs	(12,883)	(4,414)
Expenses in connection with the listing of the Company's shares	–	(40,406)
Changes in fair value in financial instruments issued to an investor	–	814,915
Consolidated profit before taxation	<u>1,894,332</u>	<u>2,885,682</u>

(iii) Geographic information

The Group generated its revenue mainly in the Chinese Mainland and its non-current assets are substantially located in the Chinese Mainland, and accordingly, no analysis of geographic information is presented.

4 OTHER INCOME

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest income	236,653	159,496
Government grants	39,555	24,366
Net income from sales of raw materials, by-products and sub-standard work in progress and maturing inventories	42,426	24,271
Fees received from distributors for non-compliance with distribution agreements	9,128	4,124
Net foreign exchange loss	(25,770)	(9,503)
Net (loss)/gain on disposal of property, plant and equipment	(204)	198
Others	7,977	4,975
	<u>309,765</u>	<u>207,927</u>

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest expenses on bank and other borrowings	10,995	1,800
Interest expenses on lease liabilities	1,888	2,614
	<u>12,883</u>	<u>4,414</u>

(b) Staff costs

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Salaries, wages and other benefits	1,717,485	1,538,398
Contributions to defined contribution retirement plans (Notes (i), (ii) and (iii))	154,276	149,318
Equity-settled share-based payment expenses	352,653	70,028
	<u>2,224,414</u>	<u>1,757,744</u>

Notes:

- (i) The employees of the subsidiaries of the Group established in the Chinese Mainland participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at rates range from 16% to 20% of the employees' basic salaries. Employees of these subsidiaries are entitled to receive retirement benefits, calculated based on a percentage of the average salaries level in the Chinese Mainland, from the above mentioned retirement schemes at their normal retirement age.

- (ii) The Group's employees in Hong Kong participate in a defined contribution scheme registered under the Mandatory Provident Fund Scheme Ordinance (Cap. 485) (the "MPF Scheme"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of Hong Kong dollars ("HKD") 30,000. Contributions to the plan vest immediately.
- (iii) The Group has no further obligation for payment of other retirement benefits beyond the above contributions in (i) and (ii).

(c) Other items

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Depreciation expenses[#]		
– property, plant and equipment	303,369	210,217
– right-of-use assets	49,123	49,309
	<u>352,492</u>	<u>259,526</u>
Auditors' remuneration:		
– audit services	5,250	5,000
– other service	2,450	–
– professional services in connection with the listing of the Company's shares	–	5,066
	<u>7,700</u>	<u>10,066</u>
Cost of inventories [#]	<u>1,698,000</u>	<u>1,786,586</u>

[#] Cost of inventories includes RMB238,073,000 (2023: RMB213,294,000) relating to staff costs and depreciation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current taxation		
Provision for the year	533,147	691,036
Deferred taxation		
Origination and reversal of temporary differences	30,462	(144,855)
Withholding tax (<i>Note 6(b)(v)</i>)	7,101	12,418
	<u>37,563</u>	<u>(132,437)</u>
	<u>570,710</u>	<u>558,599</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit before taxation	<u>1,894,332</u>	<u>2,885,682</u>
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	467,872	515,567
Tax effect of equity-settled share-based payment expenses (Note (iv))	88,163	–
Tax effect of non-deductible expenses	7,574	30,614
Withholding tax (Note (v))	<u>7,101</u>	<u>12,418</u>
Income tax	<u>570,710</u>	<u>558,599</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The Company and the subsidiary of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2024 (2023: 16.5%). No provision for Hong Kong Profits Tax has been made, as the Company and the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the year (2023: RMBNil).
- (iii) The subsidiary of the Group established in the Chinese Mainland is subject to the People’s Republic of China (the “PRC”) Corporate Income Tax rate at 25% during the year (2023: 25%).
- (iv) Certain subsidiaries in the Chinese Mainland of the Group will apply for the tax deduction of the equity-settled share-based payment expenses incurred related to their employees in annual tax filing. The approvals of these annual tax filing are subject to the discretion of the relevant tax authorities.
- (v) Interest income arising from intra-group loans granted by the Group’s subsidiaries outside of the Chinese Mainland to the Group’s subsidiaries in the Chinese Mainland and dividends/distributions made by the Group’s subsidiaries in the Chinese Mainland to group companies outside of the Chinese Mainland are subject to PRC Withholding Tax rate of 10%.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 31 December 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB1,323,622,000 (2023: RMB2,327,083,000) and the weighted average of 3,278,517,000 ordinary shares (2023: 2,972,124,000 ordinary shares) in issue during the year.

The weighted average number of ordinary shares are calculated as follows:

	2024 '000	2023 '000
Issued ordinary shares at 1 January	3,271,331	46,597
Effect of share subdivision	–	2,283,263
Effect of shares issued by initial public offering	–	334,751
Effect of re-designation of preference shares into ordinary shares	–	307,513
Effect of vested restricted shares issued	7,186	–
	<u>3,278,517</u>	<u>2,972,124</u>
Weighted average number of ordinary shares at 31 December	<u>3,278,517</u>	<u>2,972,124</u>

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2024 is calculated based on the profit attributable to ordinary equity shareholders of the Company of RMB1,323,622,000 (2023: RMB1,512,168,000) and the weighted average of 3,310,008,000 ordinary shares (dilutive) (2023: 3,115,383,000 ordinary shares (dilutive)) in issue during the year, calculated as follows:

	2024 RMB'000	2023 RMB'000
Profit attributable to equity shareholders of the Company	1,323,622	2,327,083
Changes in fair value in financial instruments issued to an investor	–	(814,915)
Profit attributable to equity shareholders of the Company (dilutive)	<u>1,323,622</u>	<u>1,512,168</u>
	2024 '000	2023 '000
Weighted average number of ordinary shares at 31 December	3,278,517	2,972,124
Effect of dilutive preference shares (adjusted for share subdivision)	–	143,259
Effect of dilutive shares under the Post-IPO Equity Incentive Plan	31,491	–
Weighted average number of ordinary shares (diluted) at 31 December	<u>3,310,008</u>	<u>3,115,383</u>

8 INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials and packaging materials	368,111	350,434
Work in progress and maturing inventories	6,354,349	5,146,554
Finished goods	780,954	886,491
	<u>7,503,414</u>	<u>6,383,479</u>

The analysis of the amount of inventories recognised in profit or loss is as follows:

	2024 RMB'000	2023 RMB'000
Carrying amounts of inventories sold	<u>1,698,000</u>	<u>1,786,586</u>

9 TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	371,538	90,724
Less: loss allowance	<u>(8,479)</u>	<u>(5,538)</u>
	363,059	85,186
Bills receivables (<i>Note</i>)	<u>55,254</u>	<u>157,942</u>
	<u>418,313</u>	<u>243,128</u>

All of the trade and bills receivables are expected to be recovered within one year.

Note: At 31 December 2024, RMB35,931,000 of bills receivables are pledged for the Group's bank and other borrowings.

(a) Ageing analysis

The ageing analysis of trade receivables, based on the invoice date and net of loss allowance, of the Group are as follows:

	2024 RMB'000	2023 RMB'000
Less than 3 months	353,793	64,078
More than 3 months but less than 6 months	7,948	10,582
More than 6 months but less than 12 months	<u>1,318</u>	<u>10,526</u>
	<u>363,059</u>	<u>85,186</u>

The balance of bills receivables represents bank acceptance notes received from customers with maturity dates of less than six months at the end of the reporting period.

The Group derecognised certain bank acceptance notes, which are issued by banks of high credit standings, in their entirety upon discounting them at banks. The directors of the Company are of the opinion that the Group has substantially transferred all of the risks and rewards of these notes and non-settlement of these notes by their issuing banks is highly unlikely. At 31 December 2024, the Group's maximum exposure of these discounted bank acceptance notes is RMB778,159,000 (31 December 2023: RMB188,740,000).

10 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

Cash and cash equivalents comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	1,418,604	940,581
Time deposits	4,231,602	4,829,936
Restricted bank deposits (<i>Note (i)</i>)	552,014	282,707
Cash at bank and on hand in the consolidated statement of financial position	6,202,220	6,053,224
Less: restricted bank deposits	(552,014)	(282,707)
Cash and cash equivalents in the consolidated cash flow statement	5,650,206	5,770,517

Notes:

- (i) The balance is pledged for bills issued by the Group.
- (ii) The Group's operation in the Chinese Mainland conducted its business in RMB. RMB is not a freely convertible currency and the remittance of funds out of the Chinese Mainland is subject to the exchange restrictions imposed by the PRC government.

11 TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	462,451	569,697
Bills payables	962,325	500,315
	1,424,776	1,070,012

All of the trade and bills payables are expected to be settled within one year or are repayable on demand.

Ageing analysis

The ageing analysis of trade and bills payables, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	1,416,584	1,066,712
1 to 2 years	7,215	3,098
2 to 3 years	977	202
	1,424,776	1,070,012

12 OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Payables for construction and purchases of property, plant and equipment	213,999	380,881
Payables for staff related costs	490,292	293,546
Other taxes payables	173,497	47,157
Dividends/distributions payables	–	136,138
Accruals for advertisement expenses	79,082	88,832
Others	32,649	12,937
	<u>989,519</u>	<u>959,491</u>
Financial liabilities measured at amortised cost		
Receipts in advance from customers	1,753,592	1,853,559
Accruals for sales returns and rebates	685,645	623,346
	<u>2,439,237</u>	<u>2,476,905</u>
Contract liabilities		
	<u>3,428,756</u>	<u>3,436,396</u>

All of the other payables, accruals and contract liabilities are expected to be settled or recognised as income within one year or are repayable on demand.

13 DIVIDENDS

(i) Dividends payable to equity shareholders of the company attributable to the year

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Final dividend proposed after the end of the reporting period of HKD0.21 per ordinary share (2023: HKD0.18 per ordinary share)	<u>658,980</u>	<u>552,751</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year, of HKD0.18 per ordinary share (2023: HKDNil)	<u>556,691</u>	<u>–</u>

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Stock Exchange on April 27, 2023. The net proceeds received from the Global Offering (after deduction of the underwriting fees and commissions and other estimated related expenses payable by us in connection with the Global Offering) were approximately HK\$4,990.0 million.

As at December 31, 2024, the net proceeds utilized was approximately HK\$2,549.2 million and the remaining net proceeds were approximately HK\$2,440.8 million. The Company intends to continue to utilize the remaining net proceeds in the future for the purposes as set out in the Prospectus. The table below sets out the planned usage of the net proceeds from the Global Offering and actual usage up to December 31, 2024:

Use of proceeds	Allocation (%)	Net proceeds from the Global Offering (HK\$ in million)	Utilized amount up to December 31, 2024 (HK\$ in million)	Unutilized amount as at December 31, 2024 (HK\$ in million)	Expected timeline for fully utilizing the unutilized amount ⁽¹⁾
Construction and development of production facilities	55	2,744.5	1,639.8	1,104.7	By December 31, 2027
Brand building and market promotion	20	998.0	500.3	497.7	By December 31, 2027
Expansion of sales channels	10	499.0	185.2	313.8	By December 31, 2027
Business automation and digitalization transformation	5	249.5	26.8	222.7	By December 31, 2027
Working capital and general corporate purposes	10	499.0	197.1	301.9	By December 31, 2027
Total	100%	4,990.0	2,549.2	2,440.8	

Notes:

- (1) The expected timeline for utilization of the unutilized proceeds disclosed above is based on the best estimation from the Board in accordance with latest information as at the date of this announcement.
- (2) Any discrepancies in this table between the total and sums of amounts are due to rounding.

The Group puts in effort in deploying its financial resources effectively to capture and capitalize on the latest market opportunities and trends, with the goal to bring a positive impact on the Group's business and financial performance. Consequently, comparing against the expected timeline of utilization set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, up to December 31, 2024, the actual utilization of net proceeds (i) for brand building, market promotion and expansion of sales channels has been expedited mainly in 2023 in order to capture market opportunities to continue to raise our brand awareness and brand identity; and (ii) for business automation, digitalization transformation has been delayed, as the main portion of payments are only required to be made when we pass the planning and design stage of our digital infrastructure enhancements. Nevertheless, the overall allocation of net proceeds from the Global Offering among the intended uses and the expected timeline for the full utilization of such net proceeds for each intended use remain the same as described in the Prospectus.

OTHER INFORMATION

Final Dividend

The Board has resolved to recommend the payment of a final dividend of HKD0.21 per Share for the year ended December 31, 2024. Subject to Shareholders' approval at the AGM, the proposed final dividend will be payable on or around Friday, May 30, 2025 to the shareholders whose names appear on the register of members of the Company on Monday, May 19, 2025.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2024.

Compliance with the Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code and the Company has adopted the code provisions of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all code provisions as set out in the CG Code during the year ended December 31, 2024.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding the transactions of securities of the Company by its Directors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and all of them have confirmed that they have complied with the Model Code during the year ended December 31, 2024.

Events after the Reporting Period

No important event affecting the Group has occurred since the end of the Reporting Period and up to the date of this announcement.

Annual General Meeting

The AGM will be held on Friday, May 9, 2025. The notice of AGM will be published and issued to the Shareholders on Thursday, April 17, 2025.

Closure of Register of Members

The register of members of the Company will be closed from as follows:

- (a) For the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, May 6, 2025 to Friday, May 9, 2025, both days inclusive. In order to qualify for attending and voting at the AGM, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, May 2, 2025. Shareholders whose names appear on the register of members of the Company on Friday, May 9, 2025 will be entitled to attend and vote at the AGM; and
- (b) For determining the entitlement to the proposed final dividend for the year ended December 31, 2024 subject to the approval by the Shareholders at the AGM, the register of members of the Company will be closed from Thursday, May 15, 2025 to Monday, May 19, 2025, both days inclusive. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Wednesday, May 14, 2025.

Review of Annual Financial Information

The Board has established the Audit Committee, which consists of two independent non-executive Directors, namely Mr. Li Dong (chairperson of the Audit Committee) and Ms. Yan Jisheng, and one non-executive Director, namely Mr. Sun Zheng. The Audit Committee has reviewed the audited financial results of the Group for the year ended December 31, 2024, and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this announcement have been compared by the Company's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.zjld.com). The annual report for the year ended December 31, 2024 will be despatched to the Shareholders (if requested) and published on the websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AGM”	annual general meeting of the Company
“Award(s)”	any award granted by the Board (or a committee of the Board) to a selected group of eligible participants pursuant to the Post-IPO Equity Incentive Plan
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Company”	ZJLD Group Inc 珍酒李渡集團有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on September 24, 2021
“Director(s)”	the director(s) of the Company
“ESG”	environmental, social and governance
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party of the Company
“FY2023”	the year ended December 31, 2023
“Global Offering”	has the meaning ascribed to it in the Prospectus
“Grantee(s)”	the eligible participant(s) of the Post-IPO Equity Incentive Plan who were granted the Awards in accordance with the Post-IPO Equity Incentive Plan on October 25, 2023

“Group”, “ZJLD Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time
“HK\$”, “HKD” or “HK dollar”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ <i>Kai Kou Xiao</i> ”	<i>Kai Kou Xiao</i> (開口笑), one of the baijiu brands operated by the Group
“ <i>Li Du</i> ”	<i>Li Du</i> (李渡), one of the baijiu brands operated by the Group
“Listing”	the listing of Shares on the Main Board of the Stock Exchange on April 27, 2023
“Listing Date”	April 27, 2023, being the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“Post-IPO Equity Incentive Plan”	the equity incentive plan adopted by the Company on April 11, 2023, the principal terms of which are set out in the section headed “Statutory and General Information — D. Post-IPO Equity Incentive Plan” in Appendix IV of the Prospectus
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus issued by the Company on April 17, 2023 in connection with the Hong Kong public offering of the Shares
“Reporting Period”	the year from January 1, 2024 to December 31, 2024
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.000002 each
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar(s), the lawful currency of the United States of America

“ <i>Xiang Jiao</i> ”	<i>Xiang Jiao</i> (湘窖), one of the baijiu brands operated by the Group
“ <i>Zhen Jiu</i> ”	<i>Zhen Jiu</i> (珍酒), one of the baijiu brands operated by the Group
“Zhen 15 Series”	include multiple versions catering to the consumers preference with the standard version Zhen 15 (珍十五) as the core offering
“Zhen 30 Series”	include multiple versions catering to the consumers preference with the standard version Zhen 30 (珍三十) as the core offering
“Zhen 50 Series”	include multiple versions catering to the consumers preference with the standard version Zhen 50 (珍五十) as the core offering and to commemorate the 50th anniversary of <i>Zhen Jiu</i>
“%”	per cent.

By Order of the Board
ZJLD Group Inc
Mr. WU Xiangdong
Chairman of the Board and Executive Director

Hong Kong, March 20, 2025

As at the date of this announcement, the Board comprises Mr. Wu Xiangdong, Mr. Yan Tao, Ms. Zhu Lin, Mr. Luo Yonghong and Mr. Ng Kwong Chue Paul, as executive Directors; Mr. Sun Zheng as non-executive Director; and Mr. Li Dong, Ms. Yan Jisheng and Mr. Huang Ching-Shuan Johnson, as independent non-executive Directors.