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Shenzhen Pagoda Industrial (Group) Corporation Limited

深圳百果园實業(集團)股份有限公司

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

(Stock Code: 2411)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2024

FINANCIAL HIGHLIGHTS

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

	Year Ended December 31,		Year-over-year Change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>
Revenue ^{(1) (2)}	10,273,253	11,390,555	(9.8)
Gross profit	764,354	1,314,829	(41.9)
(Loss)/profit before income tax	(391,493)	381,033	(202.7)
(Loss)/profit attributable to owners of the Company	(386,027)	361,717	(206.7)
Basic and diluted (loss)/earnings per share (<i>RMB cents per share</i>)	(25.52)	22.97	(211.1)

- (1) The majority of the Group's revenue was derived from sales of fruits and other food products. For the years ended December 31, 2023 and 2024, revenue from sales of fruits and other food products amounted to RMB11,073.1 million and RMB10,014.2 million, respectively, accounting for approximately 97.2% and 97.5% of the Group's total revenue for the years ended December 31, 2023 and 2024, respectively. The remaining revenue was derived from royalty and franchising income, membership income and others.
- (2) The Group mainly distributes its products through offline store network, comprising franchised stores supervised by itself, franchised stores supervised by its regional dealers, and a limited numbers of self-operated stores. For the years ended December 31, 2023 and 2024, aggregate revenue from sales of products contributed by franchised stores amounted to RMB8,499.8 million and RMB7,396.3 million, respectively, accounting for approximately 74.6% and 72.0% of the Group's total revenue for the years ended December 31, 2023 and 2024, respectively.

OPERATIONAL HIGHLIGHTS

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

	As of December 31,	
	2024	2023
Franchised stores		
Franchised stores supervised by the Group	4,039	4,818
Others	1,077	1,263
Sub-total	5,116	6,081
Self-operated stores	11	12
Total	5,127	6,093

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

	Year Ended/As of December 31,	
	2024	2023
Gross retail sales (RMB'000)⁽¹⁾	12,703,257	14,171,330
Overseas direct sales (RMB'000)⁽²⁾	294,953	250,029
Number of members ('000)	90,743	83,905
Number of paying members ('000)	854	1,171
Number of self-owned product brands	46	37

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

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

PROPOSED FINAL DIVIDEND

The Board has recommended a final dividend for the year ended December 31, 2024 of RMB0.0065 per ordinary share (tax inclusive) to all Shareholders, amounting to approximately a total of RMB10.0 million for the same year.

The board (the “**Board**”) of directors (the “**Directors**”) of Shenzhen Pagoda Industrial (Group) Corporation Limited (the “**Company**”) is pleased to announce the consolidated annual results (the “**Annual Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2024. The Annual Results were prepared based on the consolidated financial statements of the Group, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”), which include all HKFRS, Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Annual Results have also been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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

PERFORMANCE REVIEW

Market Overview

In 2024, the fruit industry in China showed a differentiation trend of “consumption downgrading and consumption upgrading”. Affected by the impact of sufficient capacity at the supply side and weak end-consumer demand, the national fresh fruit consumer price index (CPI) for 2024 decreased by approximately 3.5% as compared with 2023. Despite of weak domestic consumption demand, the imported fruit consumption market expanded against such backdrop with total fruit imports reaching approximately US\$19.45 billion for 2024, representing a year-on-year increase of approximately 6.0% as compared with 2023, and amongst, categories such as cherries and kiwi fruits showed particularly strong growth momentum.

At the same time, the consumption trends towards diversification, personalization, health and convenience continued to deepen. On one hand, consumers’ demand for high-quality products, excellent services and great experiences remains strong; however, given the increasing uncertainty of the economic environment, their focus on high-quality and cost-effective products has increased significantly. On the other hand, domestic fruit exports performed well. For the year ended December 31, 2024, the total amount of domestic fruit exports reached approximately US\$8.54 billion, representing a year-on-year growth of approximately 20.9% as compared with 2023, among which, the exports of traditional advantageous categories such as apples and oranges, as well as emerging fruits (e.g. blueberries) increased significantly, indicating that the competitiveness of domestic fruits in the international market has gradually enhanced. In addition, traditional consumption scenarios such as family gatherings and afternoon tea remain strong, especially with the growing demand for health and emotional attributes of gifts; the consumption scenarios of fruits gift-giving are expanding rapidly, which provides a stable growth momentum for fruit consumption.

Overall, the fruit industry in China is expected to gradually build a more healthy and sustainable development model through structural upgrading as well as the expansion of consumption scenarios and consumer markets, while also putting forward higher requirements for market participants in terms of their ability to collaborate in the procurement and marketing, refined operations and whole-chain management.

Company Performance Review

In 2024, we faced the dual challenges of intensified competition in the fruit retail industry and changes in consumer demand, as well as challenges from our own business cycle adjustments. As a result, we recorded a decline in revenue and a net loss for 2024, as opposed to a net profit for 2023. Nonetheless, we actively responded to the challenges through consistently reviewing and adjusting our business strategies, firmly implemented the strategy of “Expert and Leader in High-quality and Cost-effective Fruit Industry”, optimized our cost structure and improved operational efficiency with a focus on products, operations, channels and the application of digital intelligence. In the retail business, we have strengthened our foundation through various means such as changing our operational strategy, exploring new franchise models and laying out overseas markets. At the same time, leveraging our supply chain resources, we continued to promote the growth of 2B business, making it an important source of our revenue. We believe that our current strategic changes corresponding to economic circumstances will not only enhance our competitiveness in the market, but also lay a solid foundation for our sustainable development in the future, which will also help us ride through the economic cycle, “breaking the cocoon and become a butterfly”.

The Group’s revenue decreased by approximately 9.8% from RMB11,390.6 million for the year ended December 31, 2023 to RMB10,273.3 million for the year ended December 31, 2024. The Group’s gross profit decreased by approximately 41.9% from RMB1,314.8 million for the year ended December 31, 2023 to RMB764.4 million for the year ended December 31, 2024. The Group’s profit attributable to owners of the Company was RMB361.7 million for the year ended December 31, 2023 while the Group recorded loss of RMB386.0 million attributable to the owners of the Company for the year ended December 31, 2024.

Company Business Highlights

Retail Business Unit

Offline Store Network Development

As of December 31, 2024, the Group's offline store network had a total of 5,127 stores located in over 180 cities covering 22 provinces and municipalities in China.

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

	As of December 31,			
	2024		2023	
		%		%
Franchised stores				
Franchised stores supervised by the Group	4,039	78.8	4,818	79.1
Others	1,077	21.0	1,263	20.7
Sub-total	5,116	99.8	6,081	99.8
Self-operated stores	11	0.2	12	0.2
Total	5,127	100.0	6,093	100.0

In 2024, we had been focusing on improving the operational efficiency of our retail stores through continuously optimizing the layout of retail stores nationwide and focusing more on advantageous stores with more sustainable rent-to-revenue ratio by encouraging franchisees to relocate stores from places with high rent-to-revenue ratio to those with low rent-to-revenue ratio or close stores with high rent-to-revenue ratio and unprofitable retail stores. In addition, we reallocated our resources with more resources (such as training and in-store tutoring provided by our “operations invincible army (運營鐵軍)”) being offered to retail stores located in core business districts of high repeat purchase rate and high performance efficiency. As a result, as of December 31, 2024, the Group recorded a net decrease of 966 retail stores as compared with that of December 31, 2023, representing a decrease of approximately 15.9% from 6,093 retail stores as of December 31, 2023 to 5,127 retail stores as of December 31, 2024.

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

	Year Ended December 31,			
	2024		2023	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Franchised stores				
Franchised stores supervised by the Group	7,388,025	99.4	8,495,143	99.4
Others	8,242	0.1	4,646	0.0
Sub-total	7,396,267	99.5	8,499,789	99.4
Self-operated stores	40,584	0.5	47,833	0.6
Total	7,436,851	100.0	8,547,622	100.0

In 2024, under the framework of the strategy of “Expert and Leader in High-quality and Cost-effective Fruit Industry”, we completed a comprehensive upgrade in all of our retail stores to further enhance consumers’ brand awareness of our products. The upgrading measures include standardizing the decoration materials of store front doors and within the stores, optimizing product display and encouraging the use of electronic price tags. In 2024, we had been piloting an operation model of large-scale innovative store with an area exceeding 150 square meters in Yueyang City, Hunan Province. As of December 31, 2024, we had three large-scale innovative stores in operation. In addition, as of December 31, 2024, we opened two franchised stores in Indonesia, successfully establishing a regional market layout at an initial stage, laying the foundation for our further expansion of overseas markets in the future.

Since August 2024, we have initiated an upgrade of our category operation system to consistently optimize our product mix by reconstructing “large single products with massive customer flow (強流量屬性大單品)” and “seasonal products with the best value for money (極致性價比應季品)” based on consumer behavioral data. For example, since August 2024, we chose imported bananas as one of the “large single products with massive customer flow” and set a unified competitive price for such imported bananas to meet consumers’ daily needs and encouraged them to repeatedly purchase the fixed priced bananas; as a result of which, the average number of customers who purchased such imported bananas in a single store increased by approximately 79.2% on a year-on-year basis. In 2024, we successfully launched six “seasonal products with the best value for money”, including kiwi fruit and Qiuyue pear (秋月梨), driving a significant growth in the number of new customers and members as well as the repeat purchase rate of members. The total sales amount of the six seasonal products increased by approximately 388.4% on a year-on-year basis. This operation strategy has effectively strengthened the synergy between supply chain efficiency and consumption experience of end-customers, laying a solid foundation for the optimization of our profit structure in the long term.

In terms of support for franchisees, we continued to strengthen the franchisee empowerment system through the “operations invincible army (運營鐵軍)” team, and provided franchisees with customized training and in-store tutoring with a focus on product display optimization, shopping guide capability enhancement and standardized service upgrade, synchronously iterating on store service standards and covering key aspects such as dynamic service, three-tone response, and cashier specifications. In addition, through the selection of over 200 “Service Stars” and nearly 100 service benchmark stores and the establishment of a benchmark store case library, we promoted the sharing and replication of service experience across the region, systematically enhancing the service capability and operational efficiency of our retail stores, and promoting the sustainable and high-quality development of our retail stores.

Online-merge-offline (“OMO”) Model

In 2024, the proportion of the Group’s orders placed through self-operated APP, mini-program, Meituan and Ele.me as well as other online channels accounted for approximately 25.2% out of the total orders of the Group, of which consumers who placed online orders through Meituan accounted for approximately 48.0%. For the year ended December 31, 2024, the total number of store-based WeChat groups established by the Group’s store managers increased to approximately 28,600 with an aggregate of over 16 million WeChat community followers. Sales through WeChat Community Group Note exceeded RMB100 million, representing a year-on-year increase of approximately 62.4% as compared with 2023.

In order to satisfy consumers’ consumption needs in multiple scenarios and channels, we have been actively expanding our content e-commerce segment by launching our online business and carrying our brand promotions and collaborations on various platforms such as Douyin, RED, Tmall and JD.com. In 2024, we increased the number of Douyin live streaming sessions to increase our brand exposure and further drive sales at our franchised stores. In 2024, the cumulative number of live streaming views on Douyin by the Group and its retail stores reached 190 million, representing a year-on-year growth of approximately 449.0% as compared with 2023.

At the same time, under the theme of “Global Healthy Fruit Gift (全球好果健康禮)”, we upgraded the overall visual presentation and service experience of gifts, and promoted high-quality and cost effective fruit gift boxes across all channels during major festivals such as the Spring Festival, the Dragon Boat Festival and the Mid-Autumn Festival. As a result, the sales amount of fruit gift boxes out of our total retail sales of Pagoda stores increased from approximately 10.6% for the year ended December 31, 2023 to approximately 12.4% for the year ended December 31, 2024.

As of December 31, 2024, we had over 90.74 million members across all distribution channels, representing a year-on-year increase of approximately 8.1% as compared with 2023; and we had a cumulative number of users of the WeChat mini-program reached 75.7 million, representing a year-on-year increase of approximately 11.0% as compared with 2023. However, due to the increasing uncertainty in the macroeconomic environment, certain customers have become more cautious in their decision-making when it comes to paying for membership and their willingness to pay for membership has weakened. As a result, the number of our paying members has decreased to approximately 850,000 in 2024, representing a year-on-year decrease of approximately 27.1% as compared with 2023.

2B Business Unit

In 2024, we continued to leverage our strong supply chain capabilities and product resources to expand our customer base and market coverage in both domestic and overseas markets. We have partnered with a number of traditional supermarkets and online new retail companies in 2024, and pursuant to such partnership, we started to supply fruits to them directly for on sale to their customers. The Group’s revenue from direct sales of fruits and other food products increased by approximately 21.7% from RMB1,031.5 million for the year ended December 31, 2023 to RMB1,255.7 million for the year ended December 31, 2024, of which the direct sales of fruits in overseas market increased by approximately 18.0% as compared with 2023.

For the year ended December 31, 2024, the gross merchandise value (GMV) of Shenzhen Banguo amounted to approximately RMB2.59 billion, with a total of six main warehouses nationwide (amongst, two main warehouses were newly established in 2024) and 457 city warehouses, further expanding its market share. We believe that Shenzhen Banguo is able to fulfil the procurement needs of small and medium-sized fruit suppliers and mom-and-pop stores, and that there is an enormous potential for penetration and improvement within the industry chain, which in turn will help us further improve the efficiency of our supply chain and expand our market share in the 2B sector.

In addition, in November 2024, we set up the Government and Enterprise Division, which focuses on the Group's corporate customer resources and is committed to providing diversified welfare and consumption scenarios solutions to corporate customers. The principal business functions of the Government and Enterprise Division include card and coupon business and corporate fruit sales. In terms of sales channels, we are reaching in-depth cooperation with tea beverage companies and companies in the health care industry to comprehensively cover fruit consumption needs in all scenarios, build a strong sales network, and further increase our market share.

Category Business Unit

We have simplified the grading system by replacing “Excellent (招牌), Grade A, Grade B and Grade C” with “Excellent, Grade A and Grade B” under our pioneered fruit grading system based on the criteria of “Saccharinity, Crispness, Tenderness, Freshness, Flavor and Safety (四度一味一安全)”, allowing consumers to easily identify our high-quality Excellent fruits, while also offering customers with more cost-effective Grade A and Grade B fruits.

During 2024, our Excellent fruits and Grade A fruits were popular among consumers because of their distinctive taste. Gross sales of fruits under Excellent and Grade A fruits accounted for approximately 62.8% of our total gross retail sales of Pagoda stores for the year ended December 31, 2024. Excellent fruits set us apart from our competitors. As of December 31, 2024, we had successfully introduced to the market a total of 46 self-owned product brands which are Excellent fruits, including Mozhenbao Hongguoshen (墨珍寶紅果參) and Ziyulu baby carrot (紫玉露水果胡蘿蔔), and the gross retail sales of self-owned product brands which are Excellent fruits accounted for approximately 14.7% of our total gross retail sales of Pagoda stores for the year ended December 31, 2024, of which the sales of Huahuang pineapple (花凰鳳梨) increased by approximately 85.4% as compared with 2023, the sales of Mizong kiwi (彌宗彌猴桃) increased by approximately 20.2% as compared with 2023, and the sales of Liangzhi apple (良枝蘋果) increased by approximately 18.2% as compared with 2023.

To further deepen customers' awareness of Excellent fruits and highlight our differentiated advantages, in 2024, we held an “Excellent Fruits Press Conference (招牌果發佈會)” in spring, summer, autumn and winter. In April 2024, we held the “Spring Excellent Fruits Press Conference (春季招牌果發佈會)” in Bangkok, Thailand, and jointly launched the Excellent fruit “Thai Chanee King Durian (泰國青妮王榴槤)” with the Ministry of Agriculture and Cooperatives of Thailand. In July 2024, we also collaborated with Xinjiang Uygur Autonomous Region High-quality Agricultural Product Production and Sales Service Center (新疆維吾爾自治區優質農產品產銷服

務中心), and jointly held the “Taste of Xinjiang’s Excellent Fruits Press Conference (品味新疆招牌果發布會)” and launched Excellent fruits such as Custard apricots (奶黃杏), Shuangburang winter jujubes (爽不讓冬棗) and Yake plum (亞克西梅). In August 2024, we held the “Autumn Signature Fruits Press Conference (秋季好果發佈會)” and launched Mid-autumn limited edition gift boxes in Sanya, Hainan Province. In December 2024, we held a press conference for Hongbalei strawberry (紅芭蕾草莓) and Spring Festival gift boxes at our cooperative strawberry base in Nanjing, Jiangsu Province.

In addition, we continue to provide our suppliers with soil improvement, agricultural management and post-harvest preservation technologies to improve the quality of our fruits, secure the supply of goods and build a high-standard supply chain ecosystem, laying the foundation for launching more Excellent fruits and category brands. Meanwhile, to ensure that all of our product categories are high-quality and cost effective, as of December 31, 2024, our Group had assigned 12 category managers, respectively responsible for product selection and pricing for 12 brands, including jujubes, blueberries, and wax apples.

Other Business Updates

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

In 2024, in order to further improve operational efficiency, we upgraded the smart ordering system, the procurement and sale collaboration system and the cash register system. By leveraging AI demand forecasting, the upgraded smart ordering 3.0 system (智能訂貨 3.0 系統) optimized the recommended order volume of stores, and added modules such as new product announcement and out-of-stock item to ensure efficient and stable product supply in stores. The iterative procurement and sale collaboration system with clearer requirements and stocking plans has further improved the process of procurement, marketing and sale collaboration of the entire chain, and has significantly increased the accuracy of planned orders and the satisfaction rate of store orders. The upgraded cash register system has higher compatibility, which enriches the selection of POS machines in stores and further reduces store opening costs. Meanwhile, the procedures of our upgraded cash register system are easier to navigate, which helps further improve the operation efficiency of our stores and optimize consumer experience.

Committed to food safety and enforcing stringent quality control

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

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

Meanwhile, in order to give consumers further reassurance, we initiated pilot implementation of “transparent kitchen (明廚亮灶)” campaign in certain stores. If consumers place an order for fruit-cutting in the pilot stores through APP or WeChat mini-programs, they can watch the whole process of washing, fruit-cutting and packaging online. We plan to gradually implement the “transparent kitchen (明廚亮灶)” campaign in our retail stores across the country, redefining consumer trust in fruit-cutting with “visible transparency”.

BUSINESS OUTLOOK AND GROUP STRATEGIES

In 2024, in the face of market challenges, we will focus on customer needs for high-quality and cost-effective products, highlighting the advantages of our high-quality and cost-effective products and differentiating our products from others, so as to reinforce consumers' impression of our high-quality and cost-effective products. We have adjusted our strategic position to be an “Expert and Leader in High-quality and Cost-effective Fruit Industry”.

Looking forward, in terms of the retail business, on one hand, we will create an ultimate cost-effective matrix, with the “best fruit for you (好果報恩)” series of products as the core, to create strategic trending products and attract more customers; at the same time, we will also create differentiated advantages through special products to accurately meet the needs of all customer groups. On the other hand, we will continue to focus on improving operational efficiency and high-quality growth of our retail stores, devoting more marketing resources to enhance consumers' brand awareness of our products and providing them with training support, so as to help them improve the profitability of single stores. Meanwhile, we will upgrade the standards of product selection, strengthen freshness management and improve quality control specifications to ensure higher standards of quality and taste of our products, thus improving user consumption experience and frequency. In addition, we will further improve the standard of fruit gift boxes products and innovate diverse forms of fruit gifts to meet the consumer needs in different consumption scenarios, and further expand the distribution of fruit gifts through both online and offline distribution channels.

In terms of the 2B business, we will continue to diversify our offering of category products, optimize both domestic and overseas distribution channels, and further increase our market share and profitability through diversification of categories offering and globalization of distribution channels. In terms of product innovation, we will work with the government to develop products serving rural revitalization and develop product series with unique competitiveness by leveraging on preferential policies and advantageous resources. In terms of channel expansion, we are reaching in-depth cooperation with tea beverage companies and the big health industry, etc., to fully cover fruit consumption needs in all scenarios and build a strong sales network to further increase our market share.

In terms of building fruit category brands, we will deepen the cooperation with suppliers, bringing in advanced agricultural technology and seeds and seedlings technologies to jointly build a market-competitive umbrella category brand that can change the landscape of the fruit category brands, and empower our retail business and 2B business to promote the synergy effect of our businesses, enhancing our overall market competitiveness. In terms of product development, we will focus on the differentiation and food safety of fruit products and strive to enhance market competitiveness through the innovative product categories and strict quality control of the entire chain of our products. On one hand, we will cooperate with the government to introduce novelty products to meet the consumers' demand for unique experiences; on the other hand, we will put food safety as our first and foremost priority, ensuring that our products meet the highest safety standards in the fruit industry.

We strongly believe that our strategy of “Expert and Leader in High-quality and Cost-effective Fruit Industry” would allow us to regain the confidence of consumers and franchisees in us and further strengthen our market-leading position through our clear strategic planning, solid business layout and determined execution of business strategies and plans. Our strategic initiatives are not only in line with current consumption trends, but also with the requirements of sustainable development, which in turn help boost market confidence in us and our products, and drive long-term value growth of our Group. We firmly believe that through continuous strategic advancement and innovation, our Group will create more financial and social value and bring sustainable returns to shareholders, customers, employees and society.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's consolidated financial results for the year ended December 31, 2024 with comparative figures for the year ended December 31, 2023.

	Year Ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	10,273,253	11,390,555
Cost of sales	(9,508,899)	(10,075,726)
Gross profit	764,354	1,314,829
Other income	46,700	36,828
Other (losses)/gains, net	(43,302)	29,613
Selling expenses	(605,097)	(481,988)
Administrative expenses	(329,622)	(313,534)
Net provision of impairment loss on financial assets	(38,045)	(23,548)
Research and development expenses	(136,447)	(145,588)
Operating (loss)/profit	(341,459)	416,612
Finance income	44,144	40,901
Finance costs	(99,960)	(75,803)
Finance costs, net	(55,816)	(34,902)
Share of profits/(losses) of associates and joint venture, net	5,782	(677)
(Loss)/profit before income tax	(391,493)	381,033
Income tax expense	(8,295)	(41,041)
(Loss)/profit for the year	<u>(399,788)</u>	<u>339,992</u>
(Loss)/profit attributable to:		
Owners of the Company	(386,027)	361,717
Non-controlling interests	(13,761)	(21,725)
	<u>(399,788)</u>	<u>339,992</u>

Revenue

The following table sets forth the Group's revenue by operating segments, each expressed in the absolute amount and as a percentage of total revenue, for the year ended December 31, 2023 and 2024, respectively.

	Year Ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of fruits and other food products	10,014,232	97.5	11,073,137	97.2
Royalty and franchising income	82,172	0.8	144,582	1.3
Membership income	76,598	0.7	95,345	0.8
Others	100,251	1.0	77,491	0.7
Total	<u>10,273,253</u>	<u>100.0</u>	<u>11,390,555</u>	<u>100.0</u>

The Group's total revenue decreased by approximately 9.8% from RMB11,390.6 million for the year ended December 31, 2023 to RMB10,273.3 million for the year ended December 31, 2024. Revenue generated from sales of fruits and other food products represented the majority portion of the Group's total revenue, representing approximately 97.2% and 97.5% of total revenue for the year ended December 31, 2023 and 2024, respectively.

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

The following table sets forth a breakdown of the Group's revenue from sales of fruits and other food products by distribution channels, each expressed in the absolute amount and as a percentage of revenue from sales of fruits and other food products, for the year ended December 31, 2023 and 2024, respectively.

	Year Ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Franchised stores	7,396,267	73.9	8,499,789	76.8
Self-operated stores	40,584	0.4	47,833	0.4
Regional dealers	1,215,463	12.1	1,238,641	11.2
Direct sales	1,255,683	12.5	1,031,514	9.3
Online channels	106,235	1.1	255,360	2.3
Total	10,014,232	100.0	11,073,137	100.0

The decrease in revenue from sales of fruits and other food products was primarily due to the decrease in revenue from franchised stores.

The decrease in revenue from franchised stores was primarily due to (i) the Company's initiatives taken to optimize its product line-up with lower gross profit margin in the second half of 2024 to satisfy consumers' demand for high-quality and cost-effective products in view of the weak domestic consumption; and (ii) the Company encouraging franchisees to relocate stores from places of high rent-to-revenue ratio to those of low rent-to-revenue ratio, meanwhile, franchisees focusing on advantageous stores with more sustainable rent-to-revenue ratio, resulting in a decrease in the number of franchised stores from 6,081 stores as at December 31, 2023 to 5,116 stores as at December 31, 2024.

The increase in revenue from direct sales was primarily due to the growth of the Group's 2B business in both overseas and domestic markets. The Group's total sales amount derived from exporting fruits and fruit products to 2B customers in overseas market increased by approximately 18.0% from RMB250.0 million for the year ended December 31, 2023 to RMB295.0 million for the year ended December 31, 2024 due to increase in demand of quality fruits in overseas markets. The Group's total sales amount derived from 2B customers in domestic market increased by approximately 22.9% from RMB781.5 million for the year ended December 31, 2023 to RMB960.7 million for the year ended December 31, 2024 due to the continuous implementation of the Group's favorable pricing strategy since 2022 in order to expand the Group's 2B business customer base.

Cost of Sales

Cost of sales decreased by approximately 5.6% from RMB10,075.7 million for the year ended December 31, 2023 to RMB9,508.9 million for the year ended December 31, 2024. Cost of inventories sold represented the majority portion of the Group's cost of sales, accounting for approximately 95.4% and 95.7% of the Group's total cost of sales for the year ended December 31, 2023 and 2024, respectively. The rates decrease in cost of sales and cost of inventories sold were different from the rates of the decrease in revenue from sales of fruits and other food products due to the Company's initiatives taken to optimize its product line-up with lower gross profit margin in the second half of 2024 to satisfy consumers' demand for high-quality and cost-effective products in view of the weak domestic consumption.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by approximately 41.9% from RMB1,314.8 million for the year ended December 31, 2023 to RMB764.4 million for the year ended December 31, 2024. The Group's gross profit margin decreased from 11.5% for the year ended December 31, 2023 to 7.4% for the year ended December 31, 2024, which was mainly due to the Company's initiatives taken to optimize its product line-up with lower gross profit margin in the second half of 2024 to satisfy consumers' demand for high-quality and cost-effective products in view of the weak domestic consumption.

Other Income

The Group's other income increased by approximately 26.8% from RMB36.8 million for the year ended December 31, 2023 to RMB46.7 million for the year ended December 31, 2024. The increase was primarily due to increase in Shenzhen Banguo's income derived from charging parking fees from its customers who parked at its warehouses by approximately 736.3% from RMB385.7 thousand for the year ended December 31, 2023 to RMB3.2 million for the year ended December 31, 2024 and increase in government grant relating to the Company's contribution to agricultural development from RMB15.4 million for the year ended December 31, 2023 to RMB17.6 million for the year ended December 31, 2024.

Other (Losses)/Gains, Net

The Group recorded other gains, net of RMB29.6 million for the year ended December 31, 2023, while the Group recorded other losses, net of RMB43.3 million for the year ended December 31, 2024. It was primarily due to loss on disposal of property, plant and equipment and impairment of property, plant and equipment of RMB11.7 million and RMB50.7 million, respectively, for the year ended December 31, 2024. The loss on disposal of property, plant and equipment was mainly due to relocation to the new office building located in Yantian District, Shenzhen, China. The impairment of property, plant and equipment was mainly regarding to one of our agricultural plants in Jiangxi, China. Due to the spread of Huanglongbing (黃龍病) in Jiangxi, China, the Company reassessed the carrying amount of the agricultural plants which led to the impairment for the year ended December 31, 2024.

Selling Expenses

The Group's selling expenses increased by approximately 25.5% from RMB482.0 million for the year ended December 31, 2023 to RMB605.1 million for the year ended December 31, 2024. The increase was primarily due to the Company's full implementation of its new strategy of "Expert and Leader in High-quality and Cost-effective Fruit Industry" formulated in 2024 to enhance customers' brand awareness of the Company's products, including the completion of activities such as store refurbishment, marketing campaigns and engagement of good life ambassadors, resulting in an increase in the Company's selling expenses for the year ended December 31, 2024.

Administrative Expenses

The Group's administrative expenses increased by approximately 5.1% from RMB313.5 million for the year ended December 31, 2023 to RMB329.6 million for the year ended December 31, 2024. The increase was primarily due to the implementation of the Company's share award scheme adopted in September 2023 which led to share-based payment expenses of RMB6.7 million for the year ended December 31, 2024 as compared with nil of 2023.

Net Provision of Impairment Loss on Financial Assets

Net impairment loss on financial assets for the year ended December 31, 2023 and 2024 mainly represented a general expected credit loss on trade and other receivables. Provision of impairment losses on financial assets amounted to RMB23.5 million for the year ended December 31, 2023, while provision of impairment loss on financial assets amounted to RMB38.0 million for the year ended December 31, 2024. It was mainly due to closure of franchised stores which led to longer ageing, which in turn resulted in the increase of expected credit loss.

Research and Development Expenses

The Group's research and development expenses decreased by approximately 6.3% from RMB145.6 million for the year ended December 31, 2023 to RMB136.4 million for the year ended December 31, 2024. The decrease was primarily due to decrease in headcounts of the Group's research and development staff from 361 as of December 31, 2023 to 336 as of December 31, 2024.

Finance Costs, Net

Finance income increased by approximately 7.9% from RMB40.9 million for the year ended December 31, 2023 to RMB44.1 million for the year ended December 31, 2024, which was mainly attributable to the increase in interest income arising from bank deposits.

Finance costs increased by approximately 31.9% from RMB75.8 million for the year ended December 31, 2023 to RMB100.0 million for the year ended December 31, 2024, which was mainly attributable to increase in bank borrowings.

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

The Group recorded share of profits of associates and joint venture, net of RMB5.8 million for the year ended December 31, 2024 as compared to share of losses of associates and joint ventures, net of RMB0.7 million for the year ended December 31, 2023. The share of profits was mainly contributed by Nanjing Jinse Zhuangyuan Agricultural Products Co., Ltd. (南京金色莊園農產品有限公司) and Yunnan Fuzhikou Agricultural Science and Technology Co., Ltd. (雲南福之口農業科技有限公司) that primarily involved in trading of strawberry and vegetables, respectively.

(Loss)/Profit Before Income Tax

As a result of the foregoing, the Group recorded loss before tax of RMB391.5 million for the year ended December 31, 2024, while the Group recorded profit before tax of RMB381.0 million for the year ended December 31, 2023. It was mainly due to (i) the Company's initiatives taken to optimize its product line-up with lower gross profit margin in the second half of 2024 to satisfy consumers' demand for high-quality and cost-effective products in view of the weak domestic consumption; (ii) the Company encouraging franchisees to relocate stores from places of high rent-to-revenue ratio to those of low rent-to-revenue ratio, meanwhile, franchisees focusing on advantageous stores with more sustainable rent-to-revenue ratio, resulting in a decrease in the number of franchised stores from 6,081 stores as at December 31, 2023 to 5,116 stores as at December 31, 2024; and (iii) the Company's full implementation of its new strategy of "Expert and Leader in High-quality and Cost-effective Fruit Industry" formulated in 2024 to enhance customers' brand awareness of the Company's products, including the completion of activities such as store refurbishment, marketing campaigns and engagement of good life ambassadors, resulting in an increase in the Company's expenses for the year ended December 31, 2024.

Income Tax Expense

Income tax expense decreased by approximately 79.8% from RMB41.0 million for the year ended December 31, 2023 to RMB8.3 million for the year ended December 31, 2024, primarily due to decrease in operating profit which led to decrease in taxable income. The difference in magnitude of the decrement in the Group's profit before income tax and its taxable income for the year ended December 31, 2024 was primarily because some of the Group's subsidiaries enjoyed preferential tax treatments and tax exemptions for the year ended December 31, 2024.

(Loss)/Profit for the Year

As a result of the foregoing, the Group recorded net loss of approximately RMB399.8 million for the year ended December 31, 2024, as compared to the Group's net profit of approximately RMB340.0 million for the year ended December 31, 2023. The Group's net profit margin was 2.98% for the year ended December 31, 2023, while the Group's net loss margin was 3.89% for the year ended December 31, 2024.

Non-HKFRS Measures – Adjusted Net (Loss)/Profit and Adjusted Net (Loss)/Profit Margin

To supplement the Group's consolidated financial information, which are presented in accordance with HKFRS, the Group presents adjusted net (loss)/profit and adjusted net (loss)/profit margin, each a non-HKFRS measure, as additional financial measures. Adjusted net profit is defined as profit for the year as adjusted by adding back listing expenses, impairment of property, plant and equipment and share-based payment expenses. Adjusted net profit margin is calculated as adjusted net profit for the year divided by total revenue for the relevant year. Listing expenses represents expenses in relation to the Company's global offering (the “**Global Offering**”) and listing of its H shares (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) which were completed in January 2023. The impairment of property, plant and equipment was mainly regarding to one of the Group's agricultural plants in Jiangxi, China. Due to the spread of Huanglongbing (黃龍病) in Jiangxi, China, the Company reassessed the carrying amount of the agricultural plants which led to the impairment for the year ended December 31, 2024. Share-based payment expenses represent expenses in relation to award shares granted pursuant to the Company's 2023 share award scheme on May 20, 2024 and November 20, 2024.

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

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

The table below sets forth the reconciliation of (loss)/profit and net (loss)/profit margin for the year under HKFRS to adjusted net (loss)/profit and adjusted net (loss)/profit margin, respectively, for the year indicated.

	Year Ended December 31,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year (as reported under HKFRS)	(399,788)	339,992
Add: Listing expenses in connection with the Global Offering and Listing	–	2,192
Add: Impairment of property, plant and equipment	50,662	–
Add: Share-based payment expenses	21,074	–
Adjusted net (loss)/profit for the year (non-HKFRS measure)	<u>(328,052)</u>	<u>342,184</u>
Net (loss)/profit margin (as reported under HKFRS)	(3.89%)	2.98%
Adjusted net (loss)/profit margin (non-HKFRS measure)	(3.19%)	3.00%

Liquidity and Capital Resources

For the year ended December 31, 2024, the Group financed its operations primarily through cash generated from its business operations, capital contributions by the shareholders of the Company (the “**Shareholders**”) and bank borrowings.

In addition, the Company completed its Global Offering and Listing in the first quarter of 2023 and received net proceeds in the amount of approximately HK\$474.0 million (including net proceeds received from the partial exercise of the over-allotment option).

Capital Structure

As of December 31, 2024, the Group had net assets of RMB2,810.3 million, as compared to RMB3,337.1 million as of December 31, 2023. Net assets as of December 31, 2024 primarily comprised current assets of RMB5,496.5 million, non-current assets of RMB2,323.1 million, current liabilities of RMB4,359.2 million and non-current liabilities of RMB650.1 million.

Cash and Bank Balances

As compared with RMB2,537.1 million as of December 31, 2023, the Group had cash and bank deposits of RMB2,340.2 million as of December 31, 2024, which was consisted of unrestricted cash and cash equivalents of RMB1,893.7 million and restricted bank deposits of RMB446.4 million.

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

Financial Risks

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

Use of Proceeds from the Global Offering

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

The table below sets forth the utilization of the Net Proceeds by the Group as of December 31, 2024:

Intended use of Net Proceeds	Adjusted allocation of Net Proceeds ^{Note} <i>(million)</i>	Adjusted percentage of total Net Proceeds ^{Note}	Amount of Net Proceeds utilized up to December 31, 2023 <i>(million)</i>	Balance of Net Proceeds unutilized as of December 31, 2023 <i>(million)</i>	Amount of Net Proceeds utilized during the year ended December 31, 2024 <i>(million)</i>	Balance of Net Proceeds unutilized as of December 31, 2024 <i>(million)</i>
To improve and enhance operation and supply chain systems	HK\$229.5	48.4%	–	HK\$229.5	HK\$11.4	HK\$218.1
To upgrade and improve core backbone IT systems and infrastructure	HK\$127.5	26.9%	HK\$56.5	HK\$71.0	HK\$35.9	HK\$35.1
To repay part of interest-bearing bank borrowings	HK\$91.5	19.3%	HK\$91.5	–	–	–
To use as working capital and for general corporate purposes	HK\$25.5	5.4%	HK\$23.3	HK\$2.2	–	HK\$2.2
TOTAL	HK\$474.0	100.0%	HK\$171.3	HK\$302.7	HK\$47.3	HK\$255.4

Note: Based on the actual amounts of Net Proceeds adjusted on pro rata basis, except for the fixed amount of HK\$91.5 million used to repay the Group’s interest-bearing bank borrowings.

As of December 31, 2024, the Net Proceeds unutilized had been deposited into short-term interest-bearing deposits placed in licensed banks in China.

On February 7, 2025, the Board resolved and proposed to reallocate the unutilized Net Proceeds of approximately HK\$237.7 million as of February 7, 2025, representing approximately 50.1% of the Net Proceeds. Out of the total unutilized Net Proceeds of approximately HK\$237.7 million which was originally intended to be used to improve and enhance operation and supply chain systems of the Group, HK\$11.9 million will be reallocated to improve and enhance operation and supply chain systems, HK\$59.4 million will be reallocated to upgrade and improve core backbone IT systems and infrastructure and HK\$166.4 million will be reallocated to use as working capital and for general corporate purposes (the “**Reallocation**”). Such proposed Reallocation was approved by the Shareholders on March 6, 2025.

The table below sets forth the allocation of the Net Proceeds subsequent to the Reallocation:

Intended use of Net Proceeds	Allocation of Net Proceeds subsequent to the Reallocation <i>(HK\$ million)</i>	Percentage of Net Proceeds subsequent to the Reallocation	Expected Timeframe for use of the Net Proceeds subsequent to the Reallocation^{Note}
To improve and enhance operation and supply chain systems	23.3	4.9%	Before December 31, 2027
To upgrade and improve core backbone IT systems and infrastructure	169.5	35.8%	Before December 31, 2026
To repay part of interest-bearing bank borrowings	91.5	19.3%	–
To use as working capital and for general corporate purposes	189.7	40.0%	Before December 31, 2025
Total	474.0	100.0%	

Note: Based on the Group’s current estimates of its business plans and market conditions and subject to change and adjustment.

Details of the Reallocation are set out in the announcement of the Company dated February 7, 2025 and the circular of the Company dated February 18, 2025. The Group intends to utilize the unutilized Net Proceeds in the manner as disclosed therein.

Indebtedness

As of December 31, 2024, the Group had an aggregate non-current bank borrowings of RMB161.9 million and short-term bank borrowings of RMB2,346.7 million. Such outstanding bank borrowings were denominated in Renminbi and the majority portion was at fixed interest rates with the remaining at variable interest rates.

The Group uses the gearing ratio (gearing ratio = total borrowings/total equity at the end of year and multiplied by 100%) to monitor its capital structure. The Group's gearing ratio increased from 56.8% as of December 31, 2023 to 89.3% as of December 31, 2024, which was primarily due to increase in bank borrowings in order to maintain sufficient liquidity in relation to the Group's brand renewal campaign.

Pledged Assets

As of December 31, 2024, the Group's right-of-use assets of RMB47.7 million (December 31, 2023: RMB49.1 million) and the Group's building classified under property, plant and equipment of RMB22.0 million (December 31, 2023: RMB23.2 million) were pledged as collateral for the Group's bank borrowings.

Cash Flows

For the year ended December 31, 2024, net cash generated from operating activities increased to RMB164.6 million, while net cash used in operating activities was RMB48.5 million for the year ended December 31, 2023, which was mainly attributable to cash generated from operating activities included decrease in trade receivables of RMB82.5 million and increase in trade payables of RMB163.7 million for the year ended December 31, 2024.

For the year ended December 31, 2024, net cash used in investing activities was RMB760.2 million, while net cash generated from investing activities was RMB282.6 million for the year ended December 31, 2023, which was mainly attributable to payment for property, plant and equipment for new office building located in Yantian District, Shenzhen, China and net acquisition of financial assets at FVTPL of RMB214.9 million and RMB474.9 million, respectively, for the year ended December 31, 2024.

For the year ended December 31, 2024, net cash generated from financing activities was RMB239.1 million, while the cash generated from financing activities was RMB414.9 million for the year ended December 31, 2023, which was mainly attributable to net impact of proceeds from bank borrowings of RMB622.6 million net of placement of restricted deposits of RMB181.1 million, dividends paid of RMB65.3 million and share repurchase of RMB63.0 million for the year ended December 31, 2024.

Financial Assets, Capital and Investment Management

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

As of December 31, 2024, the Group had (i) structured deposits which accounted for as financial assets at FVTPL of RMB669.7 million (December 31, 2023: RMB180.4 million), (ii) other financial assets at FVTPL of RMB83.7 million (December 31, 2023: RMB86.5 million), and (iii) financial assets at FVOCI of RMB35.9 million (December 31, 2023: RMB30.6 million).

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

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

Capital Expenditure

The Group's capital expenditures amounted to RMB214.9 million for the year ended December 31, 2024, mainly for the payments of construction in progress of the Group's new office building located in Yantian District, Shenzhen, China.

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

Contingent Liabilities and Guarantees

As of December 31, 2024, the Group did not have any contingent liabilities, guarantees or any significant litigation against it.

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

Subscriptions of Wealth Management Products

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

- *Subscriptions of Wealth Management Products Offered by CITIC*

On April 24, 2024, the Company and its subsidiary, Pagoda Fruit Investment Management (Shenzhen) Service Co., Ltd.* (深圳市百果園供應鏈管理服務有限公司) subscribed for structured deposit products offered by CITIC with an aggregated principal amount of RMB125 million and RMB25 million, respectively, with expected annual return rate of 1.05% or 2.59% depending on the fixed price of relevant linked indicators (the Fourth Subscription and the Fifth Subscription, respectively).

On April 30, 2024, the Company subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB50 million with expected annual return rate of 1.05% or 2.61%, depending on the fixed price of relevant linked indicators (the Sixth Subscription).

On May 11, 2024, the Company subscribed for two structured deposit products offered by CITIC with an aggregated principal amount of RMB100 million and RMB100 million, respectively, with expected annual return rates of 1.05% or 2.59%, and 1.05% or 2.57%, respectively, depending on the fixed price of relevant linked indicators (the First Subscription and the Second Subscription, respectively).

On May 30, 2024, the Company subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB125 million with expected annual return rate of 1.05% or 2.61%, depending on the fixed price of relevant linked indicators (the Eighth Subscription).

On July 4, 2024, the Company subscribed for a structured deposit product offered by CITIC with an aggregate principal amount of RMB175 million with expected annual return rate of 1.05% or 2.41%, depending on the fixed price of relevant linked indicators (the Tenth Subscription).

On October 16, 2024, the Company subscribed for a structured deposit product offered by CITIC with an aggregate principal amount of RMB230 million with expected annual return rate of 1.05% or 2.43%, depending on the fixed price of relevant linked indicators (the Twelfth Subscription).

- *Subscriptions of Wealth Management Products Offered by BOB*

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

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

On July 2, 2024, the Company subscribed for a structured deposit product offered by BOB with an aggregate principal amount of RMB230 million with expected annual return rate of 1.30% or 2.72%, depending on the fixed price of relevant linked indicators (the Ninth Subscription).

On October 15, 2024, the Company subscribed for a structured deposit product offered by BOB with an aggregate principal amount of RMB170 million with expected annual return rate of 1.30% or 2.50%, depending on the fixed price of relevant linked indicators (the Eleventh Subscription).

Each of the CITIC wealth management structured deposit products and the BOB wealth management structured deposit products are short-term principal-protected wealth management products that have relatively low associated risks issued by a reputable commercial bank. Therefore, the subscriptions of such wealth management structured deposit products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. The subscriptions of such wealth management structured deposit products are considered to be part of the Group's treasury management to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment and the term to maturity, and to bring higher return on capital. As of December 31, 2024, except for the wealth management products underlying the Eleventh Subscription and the Twelfth Subscription, all other subscriptions as mentioned above were matured and fully redeemed. For further details, please refer to the Company's announcements dated May 15, 2024, May 31, 2024, July 4, 2024 and October 16, 2024.

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

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

Turnover Ratios

Average inventory turnover days slightly increased from 12.0 days for the year ended December 31, 2023 to 12.6 days for the year ended December 31, 2024, primarily due to increase in the Group's overseas direct sales of apple and other fruits that typically have a relatively long storage time.

Average trade receivables turnover days increased from 35.0 days for the year ended December 31, 2023 to 36.0 days for the year ended December 31, 2024, primarily due to the decrease of total revenue of the Company by approximately 9.8%. We have adopted various measures in order to maintain trade receivables turnover days. We periodically review the repayment schedules of our franchisees and customers of direct sales and review the aging analysis on a monthly basis. We will assign designated personnel to follow up and chase the outstanding payments in the event of any trade receivables past due over three months. We believe that our current credit control policies are effectively in place.

Average trade payables turnover days increased from 15.8 days for the year ended December 31, 2023 to 17.1 days for the year ended December 31, 2024, primarily due to that the Company extended its settlement policy since fourth quarter of 2024.

Employees and Employee Benefit Expenses

As of December 31, 2024, the Group had a total of 2,581 employees, among which approximately 16.7% were from marketing department, 14.8% were from operating and store management department, 22.3% were from production and logistics department and 13.0% were from IT department.

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

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

In 2024, the Group incurred total employee benefit expenses of RMB666.7 million, representing approximately 6.5% of total revenue of the Group for the same year.

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

Major Suppliers and Major Customers

For the year ended December 31, 2024, purchases from the Group's largest supplier in terms of dollar amount accounted for approximately 6.9% of total purchase cost of the Group for the same period, and the aggregate purchases from its top five suppliers in aggregate accounted for 21.7% of total purchase cost of the Group for the same period.

For the year ended December 31, 2024, revenue contributed by the Group's largest customer accounted for approximately 1.6% of total revenue of the Group for the same period, and the aggregate revenue contributed by its top five customers accounted for approximately 7.3% of total turnover of the Group for the same period. All top five customers were the Group's franchisees.

Reserves

As of December 31, 2024, the Company's reserves available for distribution to Shareholders amounted to approximately RMB142.2 million.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Year ended 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	10,273,253	11,390,555
Cost of sales	6	(9,508,899)	(10,075,726)
Gross profit		764,354	1,314,829
Other income	4	46,700	36,828
Other (losses)/gains, net	5	(43,302)	29,613
Selling expenses	6	(605,097)	(481,988)
Administrative expenses	6	(329,622)	(313,534)
Net provision for impairment loss on financial assets		(38,045)	(23,548)
Research and development expenses	6	(136,447)	(145,588)
Operating (loss)/profit		(341,459)	416,612
Finance income	7	44,144	40,901
Finance costs	7	(99,960)	(75,803)
Finance costs, net	7	(55,816)	(34,902)
Share of profits/(losses) of associates and joint venture, net		5,782	(677)
(Loss)/profit before income tax		(391,493)	381,033
Income tax expense	8	(8,295)	(41,041)
(Loss)/profit for the year		(399,788)	339,992

	Notes	Year ended 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year attributable to:			
Owners of the Company		(386,027)	361,717
Non-controlling interests		(13,761)	(21,725)
		<u>(399,788)</u>	<u>339,992</u>
(Loss)/earnings per share attributable to the owners of the Company			
Basic and diluted (expressed in RMB cents per share)	9	<u>(25.52)</u>	<u>22.97</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year		(399,788)	339,992
Other comprehensive loss			
Changes in the fair value of financial assets at fair value through other comprehensive income (“FVOCI”)		5,933	6,614
Income tax relating to these items		285	263
Share of other comprehensive loss of joint venture		(44)	(47)
Other comprehensive income for the year, net of tax		6,174	6,830
Total comprehensive (loss)/income for the year		(393,614)	346,822
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(379,853)	368,547
Non-controlling interests		(13,761)	(21,725)
		<u>(393,614)</u>	<u>346,822</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		628,200	521,842
Right-of-use assets		458,651	544,707
Investment property		2,352	2,441
Intangible assets		257,960	272,606
Interests in associates and joint venture		357,283	355,165
Financial assets at FVOCI		35,913	30,559
Financial assets at fair value through profit or loss ("FVTPL")		61,960	86,537
Restricted bank deposits		1,009	1,009
Long-term bank deposits		81,835	110,000
Deposits, prepayments and other receivables		428,792	393,345
Deferred tax assets		9,153	6,926
		<u>2,323,108</u>	<u>2,325,137</u>
Current assets			
Inventories		330,131	324,871
Biological assets		7,133	7,143
Trade receivables	10	965,281	1,063,440
Deposits, prepayments and other receivables		1,224,273	1,226,181
Financial assets at FVTPL		691,441	180,434
Loan to a related party		–	2,041
Amounts due from associates and joint venture		20,906	35,602
Restricted bank deposits		445,436	311,313
Short-term bank deposits		53,586	–
Cash and cash equivalents		1,758,293	2,114,823
		<u>5,496,480</u>	<u>5,265,848</u>
Total assets		<u><u>7,819,588</u></u>	<u><u>7,590,985</u></u>

	Notes	As at 31 December	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Bank borrowings		161,924	126,340
Other payables		92,521	104,965
Contract liabilities		11,212	20,315
Lease liabilities		378,098	475,182
Deferred tax liabilities		6,295	9,525
		<u>650,050</u>	<u>736,327</u>
Current liabilities			
Trade payables	11	527,870	364,158
Accruals and other payables		1,291,407	1,294,363
Contract liabilities		13,429	24,736
Income tax payables		1,106	11,918
Amounts due to associates		19,527	16,410
Liabilities under supplier finance arrangements		128,721	—
Bank borrowings		2,346,721	1,768,876
Lease liabilities		30,459	37,101
		<u>4,359,240</u>	<u>3,517,562</u>
Total liabilities		<u><u>5,009,290</u></u>	<u><u>4,253,889</u></u>
Net assets		<u><u>2,810,298</u></u>	<u><u>3,337,096</u></u>
Equity			
Equity attributable to the owners of the Company			
Share capital		1,588,544	1,588,544
Reserves		1,119,024	1,636,428
Capital and reserves attributable to owners of the Company		2,707,568	3,224,972
Non-controlling interests		102,730	112,124
Total equity		<u><u>2,810,298</u></u>	<u><u>3,337,096</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the People's Republic of China (the “**PRC**”) on 3 December 2001 as a limited liability company under Company Law of the PRC and was converted into a joint stock company with limited liability on 10 April 2020. The address of the Company's registered office is 1701, Pagoda Technology Building, No. 2005 Shenyang Road, Pengwan Community, Haishan Street, Yantian District, Shenzhen, Guangdong Province, China.

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

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

These consolidated financial statements are presented in thousands of units of Renminbi (“**RMB'000**”) unless otherwise stated. These consolidated financial statements have been approved by the Board of directors on 27 March 2025.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for the following:

- certain financial assets and investment property – measured at fair value; and
- biological assets – measured at fair value less costs to sell.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing on 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group are set out as below:

		Effective for accounting year beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HK Int 5	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above amended standards and interpretation as and when they become effective. The directors of the Group are currently assessing the impact on the amended standards and interpretation on the Group's financial position and results of operations.

3 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision-maker (“**CODM**”) has been identified as the executive directors of the Company. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and has determined the operating segments based on these reports.

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

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

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

(b) Segment revenue and results

An analysis of the Group's revenue and results during the years ended 31 December 2024 and 2023 by operating segment is as follows:

	Franchising	Trading	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2024				
Revenue from contracts	9,243,832	1,309,843	45,434	10,599,109
Less: inter-segment revenue	–	(304,094)	(21,762)	(325,856)
Revenue from external customers	9,243,832	1,005,749	23,672	10,273,253
Segment results	(203,651)	29,943	(68,314)*	(242,022)
Unallocated other gains, net				14,136
Unallocated corporate expenses				(134,992)
Unallocated finance income				44,144
Unallocated finance costs				(72,759)
Loss before income tax				(391,493)
Income tax expense				(8,295)
Loss for the year				(399,788)
Depreciation and amortisation	101,837	14,625	8,032	124,494
Additions to:				
Property, plant and equipment	129,277	23,710	66,721	219,708
Right-of-use assets	17,768	4,460	–	22,228
Intangible assets	3,088	–	–	3,088

* The losses incurred was mainly due to the impairment loss on property, plant and equipment of RMB50,662,000 and impairment loss on right-of-use assets of RMB1,732,000, which are non-recurring in nature.

	Franchising	Trading	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2023				
Revenue from contracts	10,894,383	870,343	25,114	11,789,840
Less: inter-segment revenue	–	(381,283)	(18,002)	(399,285)
Revenue from external customers	10,894,383	489,060	7,112	11,390,555
Segment results	427,621	39,862	7,077	474,560
Unallocated other gains, net				15,901
Unallocated corporate expenses				(104,740)
Unallocated finance income				40,901
Unallocated finance costs				(45,589)
Profit before income tax				381,033
Income tax expense				(41,041)
Profit for the year				339,992
Depreciation and amortisation	113,157	10,199	3,968	127,324
Additions to:				
Property, plant and equipment	101,304	730	15,234	117,268
Right-of-use assets	76,174	112	–	76,286
Intangible assets	5,139	–	–	5,139
Addition upon step acquisition				
– Property, plant and equipment	–	77	–	77
– Intangible assets	–	16,833	–	16,833

(c) Geographical segment

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

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	9,978,300	11,138,987
Indonesia	148,295	92,380
Singapore	59,502	62,498
Hong Kong and other countries	87,156	96,690
	10,273,253	11,390,555

4 OTHER INCOME

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	17,598	15,386
Penalty income from franchisees	2,431	1,106
Interest income arising from loan receivables	20,280	18,634
Parking fee income	3,228	386
Others	3,163	1,316
	46,700	36,828

5 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value losses on biological assets	(2,399)	(2,334)
Fair value gains on financial assets at FVTPL, net	11,543	25,810
Losses on disposals of property, plant and equipment	(11,657)	(1,443)
Impairment of property, plant and equipment	(50,662)	–
Impairment of right-of-use assets	(1,732)	–
Losses on disposals of intangible assets	–	(808)
Gains on lease modification	11,691	262
Exchange gains, net	800	9,293
Gains on dilution of investment in associates	3,657	2,144
Others	(4,543)	(3,311)
	(43,302)	29,613

6 EXPENSES BY NATURE

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories sold	9,100,744	9,611,618
Employee benefit expenses (including directors' emoluments)	666,720	653,155
Listing expenses	–	2,192
Depreciation of property, plant and equipment	41,895	42,311
Depreciation of right-of-use assets	64,865	69,111
Amortisation of intangible assets	17,734	15,902
Legal and professional fees	129,372	84,298
Remuneration of auditors		
– Audit services	4,580	4,630
– Non-audit services	1,040	1,120
Delivery charges	186,034	204,643
Marketing and promotion expenses	122,145	72,576
Office supplies	8,630	10,261
Labour cost	90,104	96,301
Expense relating to short-term leases	41,453	48,779
Travelling expenses	17,768	19,289
Entertainment	11,889	9,734
Water and electricity	16,607	18,461
Other tax expenses	17,681	19,847
Others	40,804	32,608
	10,580,065	11,016,836
Representing:		
Cost of sales	9,508,899	10,075,726
Selling expenses	605,097	481,988
Administrative expenses	329,622	313,534
Research and development expenses	136,447	145,588
	10,580,065	11,016,836

7 FINANCE COSTS, NET

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs		
Interest expenses on bank borrowings	77,543	50,288
Interest expenses on lease liabilities	27,201	30,214
	104,744	80,502
Less: amount capitalised in qualifying assets	(4,784)	(4,699)
	99,960	75,803
Finance income		
Interest income on bank deposits	(44,144)	(40,901)
Finance costs, net	55,816	34,902

8 INCOME TAX EXPENSE

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	13,467	44,164
Deferred tax	(5,172)	(3,123)
Income tax expense	8,295	41,041

Companies comprising the Group are established and operating in the PRC. Most of them are subject to PRC corporate income tax (“CIT”) at the rate of 25% for the year ended 31 December 2024 (2023: 25%), except for three subsidiaries which were awarded certificates of High and New Technology Enterprises (“HNTe”) (2023: three). Such entities were entitled to a preferential CIT rate of 15% up to the expiry of the latest certificates in 2026. The further entitlement to such HNTe tax incentive is subject to the successful renewal of certificates by the PRC tax authority. According to Article 27 of the China Corporate Income Tax Law and Article 86 of the Implementation Regulation of the CIT Law, income and expenses attributable to processing of agricultural products are exempted from the CIT for the years ended 31 December 2023 and 2024, subject to annual review by the local PRC tax authority of the Company’s subsidiaries.

9 EARNINGS PER SHARE FOR THE (LOSS)/PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share is calculated on the (loss)/profit attributable to owners of the Company divided by the weighted average number of ordinary shares outstanding (excluding the ordinary shares purchased by the Company under the share award scheme and cancellation purpose) during the year ended 31 December 2024 (2023: same).

	Year ended 31 December	
	2024	2023
(Loss)/profit attributable to owners of the Company (RMB'000)	(386,027)	361,717
Weighted average number of shares outstanding ('000)	1,512,799	1,574,660
Basic (loss)/earnings per share (expressed in RMB cent)	(25.52)	22.97

(b) Diluted (loss)/earnings per share

During the year ended 31 December 2024, the Company has one category of dilutive potential ordinary share: Share Awards, which was considered as contingently issuable shares and the condition was not satisfied as at 31 December 2024. Hence, diluted loss per share for the year ended 31 December 2024 is the same as the basic loss per share.

Diluted earnings per share presented is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the year ended 31 December 2023.

10 TRADE RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables, gross	1,034,749	1,117,264
Less: loss allowance	(69,468)	(53,824)
Trade receivables, net	965,281	1,063,440

The ageing analysis of gross trade receivables by invoice date is as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
0 – 90 days	653,062	765,132
91 – 180 days	285,007	270,284
181 – 365 days	36,101	31,590
Over 1 year	60,579	50,258
	1,034,749	1,117,264

The carrying amounts of the Group's trade receivables, net of loss allowance, are denominated in the following currencies:

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
RMB	940,087	1,038,585
US\$	22,232	14,857
HK\$	2,962	9,998
	965,281	1,063,440

11 TRADE PAYABLES

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

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 30 days	474,711	334,532
31 to 60 days	20,879	16,030
61 to 90 days	6,859	2,341
Over 90 days	25,421	11,255
	527,870	364,158

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

12 DIVIDENDS

On 27 March 2024, the Company's shareholders approved 2023 final dividend of RMB0.043 for every share of the Company's 1,588,544,000 shares, in an aggregate amount of RMB68,307,000. Except for dividend attributable to the repurchased shares held by the trustee of RMB2,969,000 in relation to employee share incentive scheme, the rest of the dividend of RMB65,338,000 was paid in July 2024.

The proposed 2024 final dividend of RMB0.0065 per ordinary share, equivalent to an aggregate of approximately RMB10,000,000 for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting, and is not recognised as a liability at the year end date.

OTHER INFORMATION

Final Dividend

The Board has recommended the payment of a final dividend of RMB0.0065 per ordinary share (tax inclusive) to all Shareholders for the year ended December 31, 2024 (2023: RMB0.043 per ordinary share).

The proposed final dividend shall be declared in RMB and paid to holders of H shares of the Company (the “**H Shareholders**”) in Hong Kong dollars (“**HK\$**”). The final dividend payable in HK\$ will be converted from RMB at the average exchange rate of RMB against the HK\$ issued by the People’s Bank of China five business days before the forthcoming annual general meeting of the Company (the “**AGM**”), and the final dividend paid to the holders of unlisted shares of the Company will be paid in RMB. This proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM and is expected to be paid on or around Friday, July 18, 2025.

In accordance with the Enterprise Income Tax Law of the People’s Republic of China and its implementation rules (the “**EIT Law**”), non-resident enterprises shall pay enterprise income tax on income derived from China, and the applicable tax rate is 10.0%. To this end, any H shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups will be treated as being held by non-resident enterprise Shareholders (as defined in the EIT Law), and the Company will distribute the final dividend to such non-resident enterprise Shareholders after withholding such 10.0% enterprise income tax.

The Company distributes the 2024 final dividend to the individual Shareholders, which would be subject to the personal income tax at the rate of 10% or 20%. It would be specifically handle in line with relevant regulations and tax collection and management requirements, unless otherwise required by the tax regulations, relevant tax agreements or notices.

Corporate Governance Practices

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

Rule 3.21 of the Listing Rules

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

Save as disclosed above, during the year ended December 31, 2024, the Company complied with all applicable code provisions under the CG Code and adopted most of the best practices set out therein.

Model Code for Securities Transactions

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

Having made specific enquiry with all the Directors and Supervisors, all of the Directors and Supervisors confirmed that he/she has complied with the required standards as set out in the Model Code during the year ended December 31, 2024. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the aforesaid period.

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

On June 6, 2024, the Shareholders resolved to grant a general mandate to the Board to repurchase H Shares up to an aggregate of 10% of the total number of issued H Shares of the Company as at June 6, 2024. Subsequently, the Company started the H Shares repurchase on October 17, 2024. Since then and up to December 31, 2024, the Company repurchased an aggregate of 49,206,500 H Shares on the Stock Exchange for cancellation through open market, representing approximately 3.1% of the total registered share capital of the Company as of December 31, 2024 and the total amount paid for such H Share repurchases was HK\$68,369,484.43 (excluding the transaction fees). All repurchased H Shares had not yet been cancelled as at December 31, 2024, but were cancelled on January 21, 2025. The Board believes that repurchase of H Shares under the then prevailing market conditions would demonstrate the Company's confidence in the development and prospects of its business and would ultimately benefit the Company and create a return of value for the Shareholders, which is in the interests of the Company and the Shareholders as a whole. For the year ended December 31, 2024, the monthly breakdown on H Shares repurchase is as follows:

Month of Repurchase	Number of H Shares Repurchased	Price per H Share		Aggregate Price Paid (HK\$)
		Highest (HK\$ per H share)	Lowest	
October 2024	10,855,000	1.53	1.42	16,053,789.75
November 2024	7,260,000	1.57	1.28	10,585,820.00
December 2024	31,091,500	1.40	1.30	41,729,874.68

Saved as disclosed above, during the year ended December 31, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares, if any). As of December 31, 2024, the Company did not hold any treasury shares.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules during the year ended December 31, 2024 and up to the date of this announcement. The Company maintained the minimum level of public float of at least 25% of its total registered share capital.

SUBSEQUENT EVENTS

The following significant events took place subsequent to December 31, 2024:

- (a) on January 2, 2025, the Company subscribed for a structured deposit product offered by CITIC with an aggregate amount of RMB200 million (the Thirteenth Subscription) with an expected annual return rate of 1.05% or 2.18%, depending on the fixed price of relevant linked indicators;
- (b) on January 15, 2025, the Company subscribed for a structured deposit product offered by BOB with an aggregate amount of RMB170 million (the Fourteenth Subscription) with an expected annual return rate of 1.05% or 2.15%, depending on the fixed price of relevant linked indicators;
- (c) on January 21, 2025, the Company successfully cancelled an aggregate of 49,206,500 H Shares repurchased by the Company for the period from October 17, 2024 to December 31, 2024 pursuant to a general repurchase mandate granted by the shareholders of the Company on June 6, 2024;
- (d) on March 11, 2025, the Company further subscribed for a structured deposit product offered by CITIC with an aggregate amount of RMB140 million (the Fifteenth Subscription) with an expected annual return rate of 1.05% or 2.20%, depending on the fixed price of relevant linked indicators; and
- (e) on March 18, 2025, the Company further subscribed a structured deposit product offered by BOB with an aggregate amount of RMB180 million (the Sixteenth Subscription) with an expected annual return rate of 1.30% or 1.85%, depending on the fixed price of relevant linked indicators.

The Thirteenth Subscription, the Fourteenth Subscription, the Fifteenth Subscription and the Sixteenth Subscription are considered to be part of the Group's treasury management. As of the date of this announcement, the wealth management products underlying the Thirteenth Subscription, the Fourteenth Subscription, the Fifteenth Subscription and the Sixteenth Subscription are outstanding. For more details, please refer to the announcements of the Company dated January 3, 2025, January 6, 2025, March 12, 2025 and March 19, 2025.

As of the date of this announcement, save as disclosed above, there was no significant event affecting the Group which occurred subsequent to December 31, 2024.

AUDIT COMMITTEE

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

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the consolidated financial information of the Group for the year ended December 31, 2024. The Audit Committee considered that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and the selection and appointment of external auditors.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, and consolidated statement of other comprehensive income and the related notes thereto for the year ended December 31, 2024 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting for the year ended December 31, 2024 will be published on the website of the Company (www.pagoda.com.cn) and the website of the Stock Exchange (www.hkexnews.hk) and will be disseminated to the Shareholders within the prescribed time and in such manner in accordance with the requirements of the Listing Rules.

PUBLICATION OF 2024 ANNUAL RESULTS AND 2024 ANNUAL REPORT

This annual results announcement is published on the website of the Company (www.pagoda.com.cn) and the website of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended December 31, 2024 containing all the information required by the Listing Rules will be disseminated to the Shareholders and published on the respective websites of the Company and the Stock Exchange within the prescribed time and in accordance with the requirements under the Listing Rules.

PUBLICATION OF 2024 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Group for the year ended December 31, 2024 will be published on the respective websites of the Company and the Stock Exchange as set out above within the prescribed time and in accordance with the requirements under the Listing Rules.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Group for their continuous support and contribution to the Group.

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

Shenzhen, the People's Republic of China
March 27, 2025

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

* For identification purpose only