

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



ZHENGYE INTERNATIONAL HOLDINGS COMPANY LIMITED

正業國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 3363)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	2,435,830	2,390,517
Gross Profit Margin	12.06%	11.29%
EBITDA	203,168	157,063
Profit (Loss) and Total Comprehensive Income (Expense) for the Year Attributable to the Owners of the Company	36,392	(17,553)
Return (Loss) on Equity Attributable to the Owners of the Company	3.25%	(1.61%)
Earnings (Loss) per Share (Basic) – RMB	0.07	(0.04)
Recommended Final Dividend – HKD per Share	2.20 cents	1.10 cents

- The Board had resolved to recommend the payment of a final dividend of RMB2.00 cents (equivalent to HKD2.20 cents) per Share for the year ended 31 December 2024 (2023: a final dividend of RMB1.00 cent per Share).

ANNUAL RESULTS

The board of directors (the “**Board**”) of Zhengye International Holdings Company Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2024 (the “**Year**” or “**Year under review**”) together with the comparative figures for the corresponding year ended 31 December 2023 (the “**Year 2023**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		2024	2023
	NOTES	RMB'000	RMB'000
Revenue	3	2,435,830	2,390,517
Cost of sales		(2,141,951)	(2,120,521)
Gross profit		293,879	269,996
Other income	4	83,407	83,835
Impairment losses (recognised) reversed under expected credit loss model, net		(961)	419
Other gains and losses	5	9,862	(2,047)
Distribution and selling expenses		(88,381)	(86,334)
Administrative expenses		(133,183)	(138,972)
Finance costs	6	(44,302)	(52,434)
Other expenses		(564)	(1,906)
Research and development costs		(86,688)	(90,235)
Profit (loss) before tax	7	33,069	(17,678)
Income tax credit	8	8,235	836
Profit (loss) and total comprehensive income (expense) for the year		41,304	(16,842)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
Owners of the Company		36,392	(17,553)
Non-controlling interests		4,912	711
		41,304	(16,842)
Earnings (loss) per share			
Basic (RMB)	10	0.07	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

		2024	2023
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		1,427,194	1,387,695
Right of use assets		117,012	165,758
Investment properties		115,138	–
Intangible assets		10,995	13,772
Deferred tax assets		12,601	1,046
Deposits for acquisition of property, plant and equipment		43,387	26,655
		1,726,327	1,594,926
Current Assets			
Inventories		200,510	205,308
Trade and other receivables	11	686,735	833,939
Contract assets		10,581	10,824
Tax recoverable		–	196
Pledged bank deposits		64,428	93,340
Bank balances and cash		187,379	253,915
		1,149,633	1,397,522
Current Liabilities			
Trade and other payables	12	362,337	428,982
Tax liabilities		2,378	555
Bank and other borrowings		591,788	802,506
Lease liabilities		9,252	4,539
Contract liabilities		4,956	10,133
Amounts due to directors		448	94,168
		971,159	1,340,883
Net Current Assets		178,474	56,639
Total Assets Less Current Liabilities		1,904,801	1,651,565

		2024	2023
	NOTES	RMB'000	RMB'000
Capital and Reserves			
Share capital	13	41,655	41,655
Share premium and reserves		<u>1,078,773</u>	<u>1,047,381</u>
Equity attributable to owners of the Company		1,120,428	1,089,036
Non-controlling interests		<u>286,514</u>	<u>281,602</u>
Total Equity		<u>1,406,942</u>	<u>1,370,638</u>
Non-current Liabilities			
Deferred tax liabilities		4,712	4,989
Bank and other borrowings		446,896	219,556
Lease liabilities		16,634	23,001
Deferred income		<u>29,617</u>	<u>33,381</u>
		<u>497,859</u>	<u>280,927</u>
		<u>1,904,801</u>	<u>1,651,565</u>

NOTES:

1. GENERAL INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Mr. Hu Zheng, Mr. Hu Hancheng, Mr. Hu Hanchao and Ms. Hu Jianwen, who collectively own 75% of the Company's shares in aggregate and act in concert, are regarded as the controlling shareholders of the Company.

The principal activities of its subsidiaries are mainly engaged in manufacture and sale of paper, paperboard and paper-based packaging products. The Company and its subsidiaries are hereinafter collectively referred to as the "Group".

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Company and its principal subsidiaries operate.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective of the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group has applied the amendments for the first time in the current year.

The amendments add a disclosure objective to HKAS 7 *Statement of Cash Flows* stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows.

In addition, HKFRS 7 *Financial Instruments: Disclosures* was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

In accordance with the transition provision, the entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b)(ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

Except for the new HKFRS 18 mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the production and sale of packaging paper and paper-based packaging products.

The Group is organised into business units based on their products, based on which information is prepared and reported to the Group's chief operating decision maker (i.e. the executive directors of the Company) for the purposes of resource allocation and assessment of performance. The Group's reportable segments under HKFRS 8 *Operating Segments* are identified as two main operations:

1. Packaging paper: this segment produces and sells corrugated medium paper and craft paper.
2. Paper-based packaging products: this segment produces and sells craft cartons, color-printed cartons, honeycomb paper products and color box packaging.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2024

	Packaging paper RMB'000	Paper-based packaging RMB'000	Total RMB'000
REVENUE			
External sales	1,740,985	694,845	2,435,830
Inter-segment sales	12,216	–	12,216
Segment revenue	<u>1,753,201</u>	<u>694,845</u>	2,448,046
Eliminations			<u>(12,216)</u>
Group revenue			<u>2,435,830</u>
Segment profit	<u>27,914</u>	<u>8,428</u>	36,342
Unallocated other income			878
Unallocated corporate expenses			(16,986)
Unallocated other gains			<u>12,835</u>
Profit before tax			<u>33,069</u>

Other segment information included in the measurement of segment results:

	Packaging paper RMB'000	Paper-based packaging RMB'000	Total RMB'000
Depreciation on property, plant and equipment	80,340	32,851	113,191
Depreciation on right-of-use assets	6,351	2,722	9,073
Amortisation of intangible assets	3,618	–	3,618
Total depreciation and amortisation	90,309	35,573	125,882
Less: Amount capitalised in inventories	(53,220)	–	(53,220)
Less: Amount capitalised in intangible assets	(85)	–	(85)
	37,004	35,573	72,577
Impairment losses recognised on trade and other receivables	954	7	961

For the year ended 31 December 2023

	Packaging paper RMB'000	Paper-based packaging RMB'000	Total RMB'000
REVENUE			
External sales	1,728,660	661,857	2,390,517
Inter-segment sales	76,729	–	76,729
Segment revenue	1,805,389	661,857	2,467,246
Eliminations			(76,729)
Group revenue			2,390,517
Segment (loss) profit	(19,526)	10,942	(8,584)
Unallocated other income			353
Unallocated corporate expenses			(9,447)
Loss before tax			(17,678)

Other segment information included in the measurement of segment results:

	Packaging paper <i>RMB'000</i>	Paper-based packaging <i>RMB'000</i>	Total <i>RMB'000</i>
Depreciation on property, plant and equipment	83,440	25,212	108,652
Depreciation on right-of-use assets	8,758	2,200	10,958
Amortisation of intangible assets	3,106	–	3,106
Total depreciation and amortisation	95,304	27,412	122,716
Less: Amount capitalised in inventories	(57,522)	–	(57,522)
Less: Amount capitalised in intangible assets	(409)	–	(409)
Impairment losses recognised (reversed) on trade and other receivables	37,373	27,412	64,785
	1,277	(1,696)	(419)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represented the profit earned by/loss from each segment without allocation of corporate income and expenses.

(b) Information about products

The following is an analysis of the Group's revenue from its major products:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Corrugated medium paper AA grade	1,619,343	1,383,350
Corrugated medium paper C grade	174	32
Craft paper	121,468	345,278
Craft box	439,159	461,448
Honeycomb paper	81,093	64,419
Color printing box	139,765	105,303
Color box packaging	34,828	30,687
	2,435,830	2,390,517

(c) Geographical information

The Group's operations and customers are all located in the PRC.

(d) Information about major customers

For the year ended 31 December 2024 and 2023, no customer contributed over 10% of the total revenue of the Group for the respective year.

(e) **Segment assets and liabilities**

Information of the reporting and operating segments of the Group reported to the chief operating decision maker for the purposes of resource allocation and performance assessment does not include any assets and liabilities. Accordingly, no segment assets and liabilities are presented.

4. OTHER INCOME

	2024 RMB'000	2023 RMB'000
Interest income from bank deposits	2,799	4,232
Imputed interest income from rental deposits	59	86
Management fee income	109	82
Net income from sales of scrap materials	8,184	2,439
Government grants related to income (<i>note</i>)	67,233	72,814
Government grants amortised from deferred income	3,764	3,400
Sundry income	1,259	782
	<hr/>	<hr/>
Total	83,407	83,835

Note: Government grants received and receivable by the Group's PRC subsidiaries as financial incentives for operation. No conditions are attached to these financial incentives.

5. OTHER GAINS AND LOSSES

	2024 RMB'000	2023 RMB'000
Exchange loss, net	446	904
Loss on disposals of property, plant and equipment, net	2,527	1,381
Gain on disposals of investment properties, net (<i>note</i>)	(12,835)	–
Others	–	(238)
	<hr/>	<hr/>
	(9,862)	2,047

Note: On 31 December 2024, the Group entered into an agreement to dispose certain investment properties to an independent third party purchaser at an aggregate cash consideration of RMB21,955,000. During the year ended 31 December 2024, the aggregate amount of cash consideration of RMB18,977,000 (including relevant value-added tax of RMB1,567,000) has been received. The remaining cash consideration of RMB2,978,000 (including remaining value-added tax of RMB246,000) would be settled on or before 30 June 2025. The disposal transaction has been completed and resulted in a net gain of RMB12,835,000 in the profit or loss.

6. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
Bank and other borrowings	42,350	46,034
Lease liabilities	1,519	1,897
Amounts due to directors	433	4,382
Others	–	121
	<u>44,302</u>	<u>52,434</u>

7. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging (crediting):

	2024 RMB'000	2023 RMB'000
Depreciation of property, plant and equipment	113,191	108,652
Depreciation of right-of-use assets	9,073	10,958
Amortisation of intangible assets	3,618	3,106
	<u>125,882</u>	<u>122,716</u>
Total depreciation and amortisation	125,882	122,716
Less: Amount capitalised in inventories	(53,220)	(57,522)
Less: Amount capitalised in intangible assets	(85)	(409)
	<u>72,577</u>	<u>64,785</u>
Auditor's remuneration	1,800	1,689
Cost of inventories recognised as an expense (including write-down of inventories amounting to RMB1,995,000 (2023: RMB612,000))	1,954,529	1,963,066
Staff costs		
– directors' and chief executive's emoluments	6,549	5,977
– salaries and other benefits costs for staff other than directors and chief executive	274,341	256,532
– retirement benefits schemes contributions for staff other than directors and chief executive	27,779	24,543
	<u>308,669</u>	<u>287,052</u>
Total staff costs	308,669	287,052
Less: Amount capitalised in inventories	(55,700)	(59,334)
Less: Amount capitalised in intangible assets	(122)	(643)
	<u>252,847</u>	<u>227,075</u>

8. INCOME TAX CREDIT

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
PRC Enterprise Income Tax:		
Current tax	1,897	407
Overprovision in prior years	(2)	(1,384)
Land appreciation tax ("LAT")	302	–
	<u>2,197</u>	<u>(977)</u>
Withholding tax	1,400	1,950
Deferred tax	<u>(11,832)</u>	<u>(1,809)</u>
	<u><u>(8,235)</u></u>	<u><u>(836)</u></u>

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. Certain PRC subsidiaries approved as advanced-technology enterprises or enterprises applicable to EIT policies for large-scale development in the Western Region by the relevant government authorities are subject to a preferential tax rate of 15%. As at 31 December 2024, certain PRC subsidiaries approved as "small and low-profit enterprises" by the relevant government authorities are subject to two-tiered preferential tax rates. The first RMB3 million of taxable profit of the qualifying group entities will be taxed at 5% (2023: The first RMB3 million of taxable profit of the qualifying group entities will be taxed at 5%).

9. DIVIDEND

Dividend for ordinary shareholders of the Company recognised as distribution during the year:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
2023 Final – RMB1.00 cent (2023: 2022 Final – RMB1.42 cents) per share	<u><u>5,000</u></u>	<u><u>7,100</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of RMB2.00 cents (2023: final dividend in respect of the year ended 31 December 2023 of RMB1.00 cent) per ordinary share, in an aggregate amount of RMB10,000,000 (2023: RMB5,000,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to owners of the Company is based on the following data:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>36,392</u>	<u>(17,553)</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	<u>500,000,000</u>	<u>500,000,000</u>

No diluted earnings/loss per share for both 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

11. TRADE AND OTHER RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables not backed by bills	429,975	307,594
Less: allowance for credit losses	<u>(4,705)</u>	<u>(3,049)</u>
	<u>425,270</u>	<u>304,545</u>
Trade receivables backed by other bills	18,012	80,256
Less: allowance for credit losses	<u>(10)</u>	<u>(215)</u>
	<u>18,002</u>	<u>80,041</u>
Total trade receivables not backed by bank bills	447,987	387,850
Less: allowance for credit losses	<u>(4,715)</u>	<u>(3,264)</u>
	<u>443,272</u>	<u>384,586</u>
Trade receivables backed by bank bills	186,503	397,225
Less: allowance for credit losses	<u>(297)</u>	<u>(776)</u>
	<u>186,206</u>	<u>396,449</u>
Total trade receivables	<u>629,478</u>	<u>781,035</u>
Advances to suppliers	13,532	16,025
Prepayments	4,301	4,364
Other receivables	39,706	32,808
Less: allowance for credit losses	<u>(282)</u>	<u>(293)</u>
	<u>57,257</u>	<u>52,904</u>
Total trade and other receivables	<u>686,735</u>	<u>833,939</u>

As at 1 January 2023, trade receivables from contracts with customers amounted to RMB747,250,000.

The following is an aged analysis of trade receivables not backed by bills presented based on dates of delivery of goods at the end of the reporting period:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–60 days	331,760	256,266
61–90 days	28,802	17,286
91–180 days	45,593	28,119
Over 180 days	19,115	2,874
	<u>425,270</u>	<u>304,545</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2024 will be disclosed in the consolidated financial statements of the Group.

12. TRADE AND OTHER PAYABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade payables	227,394	234,277
Bills payables – secured	9,334	92,086
Other tax payables (<i>note</i>)	47,640	35,479
Payroll and welfare payables	32,518	33,790
Others	45,451	33,350
	<u>362,337</u>	<u>428,982</u>

Note: Included in other tax payables is provision for value-added tax amounting to RMB44,519,000 (2023: RMB32,732,000).

The following is an aged analysis of trade payables presented based on the dates of receipt of goods at the end of the reporting period.

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
0–60 days	131,653	131,245
61–90 days	18,493	19,663
91–180 days	33,311	19,578
Over 180 days	43,937	63,791
	<u>227,394</u>	<u>234,277</u>

The credit period on purchase of materials is 30 to 120 days. The Group has financial risk management policies in place to monitor the settlement.

13. SHARE CAPITAL

	Number of shares	Nominal value <i>HKD</i>
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 January 2023, 31 December 2023, and 31 December 2024	1,000,000,000	100,000,000
	<u> </u>	<u> </u>
Issued and fully paid:		
At 1 January 2023, 31 December 2023, and 31 December 2024	500,000,000	50,000,000
	<u> </u>	<u> </u>
		<i>RMB'000</i>
Presented as at 31 December 2023 and 2024		41,655
		<u> </u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the global economy was in a slow recovery process, with growth momentum remaining insufficient. Geopolitical tensions and policy uncertainties continued to exert a sustained impact on the global economy. Domestically in China, 2024 saw challenges such as insufficient effective demand and the transition between old and new growth drivers, leading to an unfavourable situation where significant downward pressure occurred on the economy at times. The government strengthened macroeconomic regulation in a timely and proactive manner, implementing a powerful policy combination that significantly improved economic performance, effectively boosted social confidence, and achieved the full-year economic targets. This laid a solid foundation for future economic development.

In 2024, the domestic paper industry faced a market pattern of oversupply from the beginning of the year, compounded by an unexpected decline in the price of waste paper, a key raw material. This led to a continuous downward oscillation in corrugated paper prices. However, entering the fourth quarter, as consumption gradually recovered and bolstered market demand, the price increase for raw paper expanded steadily, and the market showed signs of recovery. Despite macroeconomic downward pressures, the paper industry, as a strongly cyclical sector, demonstrated a degree of resilience. Within the year, the domestic paper packaging industry exhibited a "rise-then-fall" trend, with overall supply and demand remaining fundamentally stable.

Paper Manufacturing Segment

The Group's paper manufacturing products mainly include corrugated medium paper and craft paper. The Group produces high-strength corrugated medium paper ranging from 42 g/cm² to 140 g/cm² and craft paper ranging from 70 g/cm² to 140 g/cm². While a portion is used as raw material for the Group's paper packaging products, the majority is sold to cardboard manufacturers and carton packaging companies in the Pearl River Delta region of Guangdong, with the Group's paper manufacturing customers distributed across Guangdong, Jiangxi, Fujian, and the Chaoshan region. The total number of customers served by the Group's paper manufacturing segment is approximately 400.

In 2024, the Group's paper manufacturing business recorded operating revenue of RMB1,740,985,000 during the period, a slight increase of approximately 0.71% compared to RMB1,728,660,000 for the corresponding period last year. The gross profit margin of the paper manufacturing business rose from 6.98% in the last year to 8.67% in the current period, with gross profit increasing by RMB30,273,000 compared to the last year. The Group's paper manufacturing business experienced turnaround from loss to profit in 2024.

Despite facing a severe imbalance in product supply and demand in the overall market during the first half of 2024, the Group persisted in product research and development, continuously optimizing production costs and expenses to enhance product competitiveness. This enabled the Group to achieve a balance between production and sales. In the second half of the year, bolstered by national policy efforts and the traditional peak season for the industry, the consumer market warmed up. The Group seized market opportunities, raising product prices in line with market trends while strictly controlling production costs. As a result, the paper manufacturing business achieved stable growth in 2024, with profitability significantly improved.

Packaging Segment

The Group's paper packaging products include craft cartons, color printing cartons, honeycomb paper-based products and exquisite color box packaging. The Group's paper packaging products mainly serve large home appliance companies, major fast-moving consumer goods companies in the food sector, high-tech electronics products, daily chemical products and cosmetics, and other high-end manufacturing enterprises. The Group continues to ensure high-quality product supply and excellent after-sales service, aiming to enhance customer trust, gain the favor of multiple brand customers, and maintain long-term stable cooperation.

During the Period under Review, the Group's paper packaging business recorded operating revenue of RMB694,845,000, up 4.98% from RMB661,857,000 for the corresponding period last year. Among them, revenue from craft cartons, color printing cartons, honeycomb paper-based products and exquisite color box packaging reached RMB439,159,000, RMB139,765,000, RMB81,093,000 and RMB34,828,000, respectively (2023: RMB461,448,000, RMB105,303,000, RMB64,419,000 and RMB30,687,000, respectively). The gross profit margin of the paper packaging business for the period was 20.58%, representing a decrease of 1.99% as compared to the corresponding period last year.

PROSPECTS

Looking ahead to 2025, while the global economy faces numerous risks and challenges, it also holds boundless opportunities and hope. On this uncertain path of economic development, China will adopt more proactive macroeconomic policies, aiming to expand demand comprehensively, lead new quality productive forces through technological innovation, and enhance endogenous growth drivers through reform and opening-up. These efforts will help carve out new pathways for economic growth amid a complex and volatile international landscape, enabling the economy in China to achieve high-quality growth on a stable basis and move toward a more prosperous and steady future.

In 2025, domestic demand will become the primary driver of China's economic growth, ultimately fostering sustained consumption growth. As consumer purchasing power rises and consumption structures upgrade, demand for high-quality paper and packaging products will increase. Low-grammage, high-strength, lightweight corrugated boards are increasingly favored by premium customers, and micro-corrugated cartons are experiencing rapid development, reflecting a clear trend of upgrading and iteration. The continued growth of e-commerce is also driving significant demand for paper and packaging materials in areas such as express delivery and e-commerce packaging. The digital and intelligent transformation of packaging equipment, along with the application of advanced technologies, enable packaging products to better adapt to market changes while improving production efficiency and cost-effectiveness.

In 2025, the Group will continue to pursue steady progress, with prudent decision-making as the cornerstone of our overall business strategy to ensure sustained development. The Group will strengthen the competitiveness of its packaging and paper manufacturing businesses within the industry, adapt to the needs of transformative changes, optimize human resources, and promote a younger management team. We firmly believe that our talent strategy is a critical pillar of the Group's future development. At the same time, the Group will actively adopt advanced management concepts, deepen reforms across functional departments, and optimize business processes. With further advancement of smart packaging factories and the completion of technical upgrade projects in paper manufacturing, the Group's production efficiency and effectiveness are expected to improve further. The Group will stride toward a challenging future with greater stability and resilience.

FINANCIAL REVIEW

For the year ended 31 December 2024, the revenue of the Group was approximately RMB2,435,830,000 (2023: RMB2,390,517,000), representing an increase of approximately 1.90% as compared to the corresponding period last year. Due to the sales revenue from paper manufacturing segment increased by 0.71%, sales volume in the paper manufacturing product increased by 12.59% as compared to last year, sales unit price decreased by approximately 10.54%.

The Group's gross profit margin in 2024 was 12.06% (for the corresponding period in 2023: approximately 11.29%), representing an increase of approximately 0.77% as compared to the corresponding period last year. For the year ended 31 December 2024, profit attributable to the owners of the Company was RMB36,392,000.

Cost of sales

The Group's cost of sales increased from RMB2,120,521,000 in 2023 to RMB2,141,951,000 in 2024, representing an increase of 1.01%.

Packaging paper

The cost of sales of packaging paper in 2024 were RMB1,590,123,000 (2023: RMB1,608,071,000), representing a decrease of 1.12%.

Paper-based packaging products

The cost of sales of paper-based packaging products in 2024 were RMB551,828,000 (2023: RMB512,450,000), representing an increase of 7.68%.

Gross profit and gross profit margin

The gross profit for the Year was RMB293,879,000, representing an increase of 8.85% from RMB269,996,000 for the corresponding period of 2023. The average gross profit margin increased from 11.29% in 2023 to 12.06% for the Year, primarily due to the gradual recovery in demand in the packaging paper market, the papermaking and packaging businesses recorded year-on-year growth in sales revenue during the year. Coupled with the Group's enhanced internal management optimization and stringent control over various cost expenditures, the Group effectively managed its overall sales costs, leading to an improvement in the Group's overall gross profit margin compared to the same period last year.

Packaging paper

For the Year 2024, the gross profit from packaging paper was RMB150,862,000 (2023: RMB120,589,000), representing an increase of 25.10%. The overall gross profit margin for 2024 was 8.67% (2023: 6.98%), increased by 1.69 percentage points.

Paper-based packaging products

For the Year 2024, the gross profit from paper-based packaging products was RMB143,017,000 (2023: RMB149,407,000), representing a decrease of 4.28%. The overall gross profit margin for 2024 was 20.58% (2023: 22.57%), decreased by 1.99 percentage points.

Other income, other gains and losses

Other income, other gains and losses mainly included income from interests of RMB2,858,000 (2023: RMB4,318,000), government subsidies of RMB70,997,000 (2023: RMB76,214,000), gain on disposals of investment properties, net of RMB12,835,000 and net amount of exchange losses of RMB446,000 (2023: net amount of exchange loss RMB904,000).

Distribution and selling expenses

The distribution and selling expenses of the Group increased by approximately 2.37% from RMB86,334,000 for the Year 2023 to RMB88,381,000 for the Year 2024. During the Year, the distribution and selling expenses mainly included salaries of salesmen, transportation costs and business promotion expenses.

Administrative expenses

Administrative expenses of the Group decreased by approximately 4.17% from RMB138,972,000 for the Year 2023 to RMB133,183,000 for the Year 2024. The administrative expenses mainly included salaries of management, staff welfare, rent and depreciation.

Finance costs

Finance costs of the Group decreased by approximately 15.51% from RMB52,434,000 for the Year 2023 to RMB44,302,000 for the Year 2024. It was mainly due to the decrease in the Group's bank loan amount and the average interest rate on bank loans during the Year.

Research and development expenses

Research and development expenses of the Group decreased from RMB90,235,000 (approximately 3.77% of sales revenue) in the Year 2023 to RMB86,688,000 (approximately 3.56% of sales revenue) for the Year 2024.

Total comprehensive income (expense) for the Year

During the Year, the total profit attributable to equity holders of the Group was RMB41,304,000. The annual profit attributable to owners of the Company was RMB36,392,000, an increase of 307.33% from the loss attributable to owners of the Company in 2023 of RMB17,553,000.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Cash flow

For the year ended 31 December 2024, the net cash outflow from operating activities amounted to RMB417,901,000, while in 2023, net cash outflow of RMB120,773,000 was recorded. For the Year 2024, the net cash outflow used for investing activities amounted to RMB267,945,000, mainly including capital expenditures paid for the acquisition and construction of long-term assets of the enterprise.

For the Year 2024, the net cash inflow from financing activities amounted to RMB619,310,000, mainly including the income from borrowing obtained in the course of business activities of the enterprise and expenditures for repayment of borrowings. As at 31 December 2024, the net cash outflow of the Group amounted to RMB66,536,000 (for the corresponding period in 2023, the net cash outflow of the Group: RMB25,925,000).

The IFRS Interpretation Committee (IFRIC) meeting in December 2020 has made an agenda decision on the impact of the application of financial reporting standard in cash flows. It clarified how to present the liabilities for the payment of goods or services received and the settlement-related cash flow generated by the supplier financing arrangement under the consolidated statement of financial position and the consolidated statement of cash flows. The direct settlement of trade-related payables by the relevant financier constitutes a non-cash transaction. Subsequent settlement between the entity and the financier shall be regarded as repayment of borrowings and reported under the financing activities item in the consolidated statement of cash flows. The agenda decision also includes content that in the context of supplier financing arrangements, the accounting policies related to the presentation of the consolidated statement of cash flows have been reassessed. When the bills discount arrangement does not meet the conditions for derecognition of receivables, it will be presented in cash inflow from financing activities in the consolidated statement of cash flows.

For the year ended 31 December 2024, the net cash from operating activities would have been increased by approximately RMB473,712,000 (2023: RMB418,571,000) and the net cash from financing activities would have been decreased by RMB473,712,000 (2023: RMB418,571,000), if the Group has not applied the accounting policies.

Trade receivables not backed by bills

As at 31 December 2024, the trade receivables not backed by bills amounted to RMB425,270,000 (as at 31 December 2023: RMB304,545,000). The Group grants credit terms of 30 to 120 days to paper packaging product customers and 30 to 75 days to packaging paper customers. The trade receivables turnover days was approximately 55 days (2023: 55 days).

Trade receivables backed by bills

As at 31 December 2024, the trade receivables backed by bills amounted to RMB204,208,000 (31 December 2023: RMB476,490,000).

Trade payables

As at 31 December 2024, the trade payables amounted to RMB227,394,000 (as at 31 December 2023: RMB234,277,000). Most suppliers grant the Group credit terms ranging from 30 to 120 days. The trade payables turnover days was approximately 39 days (2023: 35 days).

Borrowings

As at 31 December 2024, the Group's bank and other borrowings balance amounted to RMB1,038,684,000 (as at 31 December 2023: RMB1,022,062,000).

Gearing ratio

As at 31 December 2024, the gross gearing ratio was approximately 36.12% (as at 31 December 2023: 34.15%), which was calculated on the basis of the total amount of bank and other borrowings as a percentage of the total assets. The net gearing ratio was 70.23% (as at 31 December 2023: 61.96%), which was calculated on the basis of the amount of bank and other borrowings less pledged bank deposits and cash and bank balances as a percentage of the shareholders' equity.

Pledge of assets

As at 31 December 2024, the Group pledged certain assets with carrying value of RMB599,729,000 as collateral for the Group's borrowings (as at 31 December 2023: RMB895,429,000).

Capital commitments

As at 31 December 2024, the Group's capital commitments (including the contracted and authorized capital commitments) were RMB176,628,000 (as at 31 December 2023: RMB12,611,000). All the capital commitments were related to purchase of property, plant and equipment.

Contingent liabilities

As at 31 December 2024, the Group had no significant contingent liabilities or litigation or arbitration of material importance.

FOREIGN CURRENCY EXPOSURE

The Group collects most of its revenue and incurs most of the expenditures in RMB. Although the Group undertakes certain transactions denominated in foreign currencies, mainly the currency of United States and the currency of Hong Kong, the exposures to exchange rate fluctuations is minimal. The Group currently does not have a foreign currency hedging policy. The Board, however, will monitor foreign exchange rate closely and consider entering into foreign currency hedging arrangement should the need arise.

DIVIDENDS

The Board has recommended, subject to the approval of the Shareholders at the annual general meeting of the Company (the “**AGM**”), the payment of a final dividend of RMB2 cents (equivalent to HKD2.2 cents) per Share for the year ended 31 December 2024 (2023: a final dividend of RMB1 cent per Share) to those Shareholders whose names appear on the register of members of the Company on Wednesday, 2 July 2025. The recommended final dividend, if approved at the AGM, will be paid in Hong Kong dollars. The RMB to Hong Kong dollar exchange rate for the final dividend calculated using the opening indicative counter buying telegraphic transfer rate for off-shore RMB of The Hong Kong Association of Banks announced on 28 March 2025. The final dividend is expected to be paid on or around Friday, 11 July 2025.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding securities transactions by directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix C3 to the Rules Governing the Listing of Securities (the “**Listing Rules**”). All the Directors, after specific enquired by the Company, confirmed that they had complied with the required standards as set out in the Model Code throughout the Year.

CORPORATE GOVERNANCE

The Company had applied the principles in the code provisions (the “**Code Provisions**”) and certain recommended best practices as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules. The Company had complied with the Code Provisions throughout the Year.

Further information on the Company’s corporate governance practices is set out in the Corporate Governance Report contained in the Company’s annual report for the Year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares). As of 31 December 2024, the Company did not hold any of treasury share.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual results announcement, there is no other material change or major event required to be disclosed by the Company after 31 December 2024.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") established by the Board has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financing reporting matters (including the review of the audited consolidated financial statements of the Company for the Year) in conjunction with the Company's external auditors. The Audit Committee was satisfied that the audited consolidated financial statements of the Company were prepared in accordance with applicable accounting standards and presented fairly the financial position and results of the Group for the Year.

ANNUAL GENERAL MEETING

The AGM will be held on Friday, 13 June 2025. A notice convening the AGM will be published in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 10 June 2025 to Friday, 13 June 2025 (both days inclusive). During the period, no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Level 17 Shops 1712–16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 9 June 2025. The record date for determining the identity of the Shareholders who are entitled to attend and vote at the forthcoming AGM is Friday, 13 June 2025.

For determining the entitlement of the recommended final dividend, the register of members of the Company will be closed from Friday, 27 June 2025 to Wednesday, 2 July 2025 (both days inclusive). During the period, no transfer of shares will be registered. In order to qualify to the recommended final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Level 17 Shops 1712–16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 26 June 2025. The record date for determining the entitlement to the final dividend is Wednesday, 2 July 2025. The final dividend will be paid to shareholders on or around Friday, 11 July 2025.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.zhengye-cn.com>). The annual report for the Year will be published in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our appreciation to the management team and staff of the Group for their contribution during the Year and give our sincere gratitude to all our shareholders and business partners for their continuous support.

By Order of the Board
Zhengye International Holdings Company Limited
Hu Zheng
Chairman

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprised Mr. Hu Zheng, Mr. Hu Hancheng (Mr. Hu Jianjun as his alternate), Mr. Hu Hanchao (Mr. Tan Xijian as his alternate), Mr. Hu Jianpeng and Ms. Chen Wei as executive Directors, Ms. Hu Jianwen as non-executive Director and Mr. Chung Kwok Mo John, Mr. Liew Fui Kiang and Mr. Shin Yick Fabian as independent non-executive Directors.

This announcement is prepared in both English and Chinese. In the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.