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Shenzhen Pagoda Industrial (Group) Corporation Limited

深圳百果園實業(集團)股份有限公司

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

(Stock Code: 2411)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2025

FINANCIAL HIGHLIGHTS

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

	Six Months Ended June 30,		Period-over-period
	2025	2024	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Revenue ^{(1) (2)}	4,375,873	5,594,124	(21.8)
Gross profit	215,551	618,508	(65.1)
(Loss)/profit before income tax	(352,966)	99,263	(455.6)
(Loss)/profit attributable to owners of the Company	(342,053)	88,506	(486.5)
Basic and diluted (loss)/earnings per share (<i>RMB cents per share</i>)	(23.43)	5.83	(501.9)

- (1) The majority of the Group's revenue was derived from sales of fruits and other food products. For the six months ended June 30, 2024 and 2025, revenue from sales of fruits and other food products amounted to RMB5,435.7 million and RMB4,308.3 million, respectively, accounting for approximately 97.2% and 98.5% of the Group's total revenue for the six months ended June 30, 2024 and 2025, respectively. The remaining revenue was derived from royalty and franchising income, membership income and others.
- (2) The Group mainly distributes its products through offline store network, comprising franchised stores supervised by itself, franchised stores supervised by its regional dealers, and a limited numbers of self-operated stores. For the six months ended June 30, 2024 and 2025, aggregate revenue from sales of products contributed by franchised stores amounted to RMB4,011.8 million and RMB3,076.9 million, respectively, accounting for approximately 71.7% and 70.3% of the Group's total revenue for the six months ended June 30, 2024 and 2025, respectively.

OPERATIONAL HIGHLIGHTS

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

	As of June 30,	
	2025	2024
Franchised stores		
Franchised stores supervised by the Group	3,570	4,707
Others	805	1,304
Sub-total	4,375	6,011
Self-operated stores	11	14
Total	4,386	6,025

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

	As of/Six Months Ended June 30,	
	2025	2024
Gross retail sales (RMB'000)⁽¹⁾	5,710,837	6,748,479
Overseas direct sales (RMB'000)⁽²⁾	113,341	141,027
Number of members ('000)	93,041	84,741
Number of self-owned product brands	51	42

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

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

The board (the “**Board**”) of directors (the “**Directors**”) of Shenzhen Pagoda Industrial (Group) Corporation Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2025. The Interim Results were prepared based on the unaudited interim condensed consolidated financial information of the Group, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRS**”), which include all HKFRS, Hong Kong Accounting Standards (the “**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Interim Results have also been reviewed by the audit committee of the Board (the “**Audit Committee**”).

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

PERFORMANCE REVIEW

Market Overview

In the first half of 2025, the consumer price index (CPI) for fresh fruits in China recorded a year-on-year increase of approximately 2.7% as compared to the same period in 2024, significantly outpacing the overall CPI decrease of approximately 0.1% during the same period, which demonstrates consumers’ growing appreciation for the health benefits and emotional value associated with fresh fruits. However, ongoing macroeconomic uncertainties remained in domestic market, and combined with the fact that the consumption market has transitioned from a seller’s market to a buyer’s market where consumers have abundant options of purchasing channels and the costs for them to switch across purchasing channels is low. Such change in turn reshaped the fruit retail market and drove the fruit retail market players to accelerate their business transformation across all channels to focus more on optimizing quality and cost-effectiveness of products, upgrading service experiences and innovating consumption scenarios. This evolving landscape has given rise to a multidimensional fruit consumption trend where rational, emotional and health-driven purchasing behaviors coexist. In other words, consumers are increasingly seeking products that deliver both cost-effectiveness and emotional resonance while prioritizing health attributes, reflecting a more sophisticated and layered consumer demand structure.

Meanwhile, the supply chain end of fresh fruits is undergoing profound structural transformation. On the one hand, driven by the combination of global production expansion, cultivation technology advancements and logistics infrastructure improvements, price for traditionally premium fruits like durian, blueberries and cherries have significantly been reduced, accelerating them becoming a more mainstream type of fruits. On the other hand, a number of domestic category brands, such as blueberries and avocado, showed an increasing trend of substituting traditionally overseas brands; at the same time, domestic fruits are gaining growing international recognition and driving continuous optimization of import-export structures of fruits. In the first half of 2025, fruit exports reached US\$3.76 billion, representing a year-on-year increase of approximately 6.2% as compared to the same period in 2024; while fruit imports amounted to approximately US\$10.74 billion, representing a year-on-year decrease of approximately 5.3% as compared to the same period in 2024. Facing this evolving change, we believe that market participants must develop core competitive advantages through enhanced product and service offering with high quality and cost-effectiveness backed up by advanced agricultural technologies, enhanced customers’ brand awareness and deepened brand value by offering differentiated products and services and continuously elevated supply chain efficiency and capabilities.

Company Performance Review

In the first half of 2025, we continued to advance our strategy of “Expert and Leader in High-Quality and Cost-effective Fruit Industry (高品質與高性價比水果專家與領導者)”, which was initially implemented in the second half of 2024. In terms of initiatives taken to attract customers, we launched customer appreciation sale events such as “best fruit for you (好果報恩)” and “daily surprises (天天有驚喜)” to drive customer traffic and purchase frequency. In terms of our product offerings, we continued to optimize our product mix and refined management of high-traffic and high-margin products to enhance store profitability. In terms of our distribution channels, we continued to encourage franchisees to optimize underperformed stores and concentrate resources on advantageous stores with high profitability. In terms of our supply chain capabilities, we continued to expand our scale of supply chain so as to further improve our bargaining power in procurement. Although we recorded decrease in revenue and a net loss in the first half of 2025, this was an inevitable process in our proactive strategic transformation and efforts to improve operational efficiency. We believe that, having completed this transformation, with a healthier asset structure, optimized store network and streamlined business lines, we are now better positioned to adapt to current industry trends, laying a solid foundation for sustainable long-term development.

The Group’s revenue decreased by approximately 21.8% from RMB5,594.1 million for the six months ended June 30, 2024 to RMB4,375.9 million for the six months ended June 30, 2025. The Group’s gross profit decreased by approximately 65.1% from RMB618.5 million for the six months ended June 30, 2024 to RMB215.6 million for the six months ended June 30, 2025. The Group’s profit attributable to owners of the Company was RMB88.5 million for the six months ended June 30, 2024 while the Group recorded loss of RMB342.1 million attributable to the owners of the Company for the six months ended June 30, 2025.

Company Business Highlights

Retail Business Unit

Offline Store Network Development

As of June 30, 2025, the Group's offline store network had a total of 4,386 stores located in over 170 cities covering 22 provinces and municipalities in China.

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

	As of June 30,			
	2025		2024	
		%		%
Franchised stores				
Franchised stores supervised by the Group	3,570	81.4	4,707	78.1
Others	805	18.3	1,304	21.7
Sub-total	4,375	99.7	6,011	99.8
Self-operated stores	11	0.3	14	0.2
Total	4,386	100.0	6,025	100.0

In the first half of 2025, we continued to enhance the operational efficiency of our retail stores nationwide by optimizing our store network. We proactively guided franchisees to re-evaluate store locations and their surrounding business districts, relocating or closing underperformed stores with high rental costs, elevated labor expenses or poor business performance, and to focus more resources on advantageous stores. As a result, as of June 30, 2025, our Group recorded a net decrease of 1,639 retail stores as compared to that of June 30, 2024, representing a decrease of approximately 27.0% from 6,025 retail stores as of June 30, 2024 to 4,386 retail stores as of June 30, 2025.

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

	Six Months Ended June 30,			
	2025		2024	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
Franchised stores				
Franchised stores supervised by the Group	3,076,312	99.5	4,004,869	99.3
Others	608	0.0	6,918	0.2
Sub-total	3,076,920	99.5	4,011,787	99.5
Self-operated stores	14,772	0.5	21,218	0.5
Total	3,091,692	100.0	4,033,005	100.0

In the first half of 2025, we upgraded our storefronts to prominently feature the “Pagoda” brand logo and IP image, further enhancing customers’ awareness of our brand. As of June 30, 2025, we had established seven stores in Indonesia, marking a successful initial foothold in the regional market and laying the groundwork for further overseas expansion.

In the first half of 2025, we carefully selected seasonal fruits and launched more than 20 types of themed stores, such as Spring Festival themed stores, Thai Fruit Festival themed stores, Zespri themed stores, and Excellent Ruanxiangyu Melon (軟香玉蜜瓜) themed stores. Through the launch of themed stores, we transformed traditional shopping experience into social sharing hotspot experience, increased our brand exposure, promoted store sales and enhanced customers’ awareness of our brand.

To elevate customer experience and strengthen our brand image, we enhanced our visual merchandising standards with a special focus on festive gift box displays and developed special display props such as bamboo baskets and apple crates to highlight our seasonal products. We also optimized the product tasting method in our stores, developed a new tasting rack, and launched a new tasting time display board. At the same time, we reinforced food safety basic standards training and implementation, updated the Pagoda Food Safety Manual (《百果園食品安全手冊》) and produced instructional videos related to food safety to boost our brand credibility.

In terms of our operational strategy, we continued to promote product portfolio that combined “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)”. For example, in the first half of 2025, we successfully launched eight “seasonal products with the best value for money”, including Ponkan mandarins (耙耙柑), blueberries, and Feizixiao lychees (妃子笑荔枝), driving a significant growth in the number of new customers and revisiting customers. The eight seasonal products, in aggregate, generated a year-on-year increase of approximately 95.0% in store customer traffic as compared to the same period in 2024 and a year-on-year increase of approximately 63.8% in total sales amount as compared to the same period in 2024, which demonstrated the effectiveness of our strategy in boosting store customer traffic and laid a foundation for long-term optimization of the profitability structure of our Group.

Online-merge-offline (“OMO”) Model

In the first half of 2025, orders placed through our self-operated APP, mini-program, Meituan and Ele.me as well as other online channels accounted for approximately 24.7% out of the total orders of our Group, of which consumers who placed online orders through Meituan accounted for approximately 52.9%. In May 2025, we launched our “daily surprises (天天有驚喜)” campaign, a marketing initiative that featured daily discounted fruit selection exclusively for WeChat communities followers, which successfully promoted daily bestsellers while simultaneously enhancing the engagement of our WeChat communities followers and driving increased customer traffic to our offline retail stores. As a result, for the six months ended June 30, 2025, the total number of store-based WeChat groups established by the Group’s store managers increased to approximately 30,000 with an aggregate of around 18.0 million WeChat community followers. Sales through WeChat Community Group Note (微信社群接龍) exceeded RMB58.0 million, representing a year-on-year increase of approximately 12.9% as compared to the same period in 2024.

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 the first half of 2025, we achieved breakthroughs and innovations in our Douyin livestream content by conducting origin-tracing livestreams at fruit production bases. This initiative allowed consumers to witness our actions taken in supporting rural revitalization and ecological conservation, thereby enhancing both our brand exposure and consumer affinity. For the six months ended 30 June 2025, the total number of customers who purchased the Group’s fruits and fruit products through Douyin livestream channel reached approximately 1.87 million, representing a year-on-year increase of approximately 64.47% as compared to the same period in 2024. Additionally, the total retail sales of the Group’s fruits and fruit products generated from Douyin livestream channel amounted to RMB53.49 million, representing a year-on-year increase of approximately 29.32% as compared to the same period in 2024.

In May 2025, we executed an IP collaboration with the TV series “The Litchi Road (《長安的荔枝》)”, integrating marketing initiatives including lychees as best fruit for you (荔枝好果報恩), launching themed stores, livestreams with historical storytelling, and origin-tracing marketing activities, which successfully enhanced our brand affinity and contributed to drive store sales growth, with lychee sales amount recording a year-on-year increase of approximately 28.0% as compared to the same period in 2024. At the same time, in the first half of 2025, under the theme of “Global Healthy Fruit Gift (全球好果健康禮)”, we promoted high-quality and cost-effective fruit gift boxes across all channels during major festivals such as Spring Festival, Dragon Boat Festival and Mother’s Day. Notably, we launched Suzhou Embroidery (蘇繡) ICH (Intangible Cultural Heritage) co-branded gift box series during the Spring Festival, combining “Suzhou Embroidery Artistry” with Spring Festival gift boxes to infuse cultural significance into gift boxes and enhance perceived value of such gift boxes, thereby fulfilling consumer demand for cultural heritage products with premium quality and cost-effectiveness. As a result, the sales amount of fruit gift boxes out of our total retail sales of Pagoda stores increased from 12.8% for the six months ended June 30, 2024 to approximately 14.8% for the six months ended June 30, 2025.

As of June 30, 2025, we had over 93.0 million members across all distribution channels, and we had a cumulative number of users of the WeChat mini-program reached 78.58 million, representing a year-on-year increase of approximately 13.24% as compared to the same period in 2024. 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 719,000 as of June 30, 2025, representing a year-on-year decrease of approximately 32.9% as compared to the same period in 2024.

2B Business Unit

In the first half of 2025, we continued to leverage our strong supply chain capabilities and product resources to expand our customer base and market coverage in both domestic and overseas markets. We have partnered with a number of traditional supermarkets and online new retail companies in the first half of 2025, 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 decreased by approximately 1.7% from RMB712.8 million for the six months ended June 30, 2024 to approximately RMB700.5 million for the six months ended June 30, 2025, of which the direct sales of fruits in overseas market recorded a year-on-year decrease of approximately 19.6% as compared to the same period in 2024. The decrease was due to restrictions on certain domestic fruit exports in overseas markets since 2025.

For the six months ended June 30, 2025, the gross merchandise value (GMV) of Shenzhen Banguo Technology Co., Ltd.* (深圳般果科技有限公司) ("**Shenzhen Banguo**") amounted to approximately RMB1.15 billion, with a total of seven main warehouses nationwide (amongst, one main warehouse was newly established in the first half of 2025) and 428 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, our Government and Enterprise Division 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 collaborate with online benefit platforms to conduct corporate internal sales campaigns, while 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

Currently, we implement an operational strategy of being a “Expert and Leader in High-quality and Cost-effective Fruit Industry”. We firmly believe that developing fruit category brands and offering differentiated products will offer us more market opportunity in the fruit industry. For the six months ended June 30, 2025, the total sales of our Excellent (招牌) and Grade A fruits accounted for approximately 64.5% of the total retail sales of Pagoda stores. Excellent fruits set us apart from our competitors. As of June 30, 2025, we had successfully introduced to the market a total of 51 self-owned product brands which are Excellent fruits, including Picking Gui Crown (lychee) (摘桂冠(荔枝)) and Liuying (cherry tomato) (流瑩(小番茄)), and the gross retail sales of self-owned product brands which are Excellent fruits accounted for approximately 14.9% of our total gross retail sales of Pagoda stores for the six months ended June 30, 2025.

To further deepen customers’ awareness of our Excellent fruits and highlight our differentiated advantages, in January 2025, we held the launch event for our Excellent fruit, Mozhenbao Red Guoseng (墨珍寶紅果參) in Maguan County, Yunnan Province; in March 2025, we organized an origin-tracing event for Huahuang Golden Pineapple (花凰金鳳梨), inviting multiple influencers and members to engage in interactive experiences at the production site; and in April 2025, we collaborated with the Weifang Kite Festival (濰坊風箏節) and simultaneously launched a spring-limited pop-up event for Excellent fruits in Qingdao, featuring Excellent fruits such as the Tears of Rouge Imperial Mango (胭脂淚貴妃芒), Huahuang Golden Pineapple (花凰金鳳梨), and Chanee King Durian (青妮王榴槤).

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.

Other Business Updates

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

In the first half of 2025, we upgraded our gift card mini-program, establishing a digital gifting platform that breaks the limitations of physical gift cards. With a wide variety of card designs and themes, customers who wish to send gifts can instantly deliver their thoughtful gifts via WeChat, meeting consumers’ diverse gifting needs. Additionally, we introduced the “Worry-Free Support Card for Gifts (禮品售後無憂卡)” where a gift purchase is detected at checkout in the store, our smart POS system automatically prints this worry-free support card, allowing gift receivers to enjoy our “Not Satisfied? Hassle-Free Refund! (不好吃, 隨心退)” after-sales policy for fruit gifts. Such upgraded digital gifting platform enables us to diversify our service offerings, catering to the evolving needs of our customers and facilitating seamless gifting experience. Further, through this strategic initiative, we are able to broaden our customer reach through enhancing brand reputation by underscoring our commitment to customer satisfaction and innovative service solutions.

BUSINESS OUTLOOK AND GROUP STRATEGIES

The first half of 2025 marks the most challenging phase for our implementation of “Expert and Leader in High-quality and Cost-effective Fruit Industry” strategy. Despite of this, the customer traffic in our stores has significantly increased and the sales amount has been rebound and remained stable, as a result of which, the quality of our stores were further optimized. In addition, we also completed our store network optimization in the first half of 2025. Looking ahead, we will remain committed to delivering diverse and differentiated products and services to consumers while maintaining a strong focus on offering products and services of high quality and cost-effectiveness. This approach will solidify the perceived value among our core customers and further enhance customers’ awareness of our brands.

In terms of our retail business, we will refine product selection criteria, enhance freshness management and upgrade quality control standards to ensure superior product quality and taste, elevating both the consumer experience and their purchase frequency. As the largest fruit retail operator in China, we actively identify shifting trends among mainstream customers and deeply engage with core consumption scenarios such as camping, holiday travel and social gatherings. By offering innovative and diverse product portfolios, we further expanded our customer base. Meanwhile, leveraging our data capabilities, we also upgraded our scientific pricing system with refined algorithms, optimizing category structures and pricing strategies according to hyper-local city commercial districts, to ensure our products maintain high conversion rates and strong price competitiveness.

In terms of the 2B business, we will continue to expand our product categories and distribution channels, domestically and internationally, to further grow our market share in fruit sales. We will continue to develop new fruit gift boxes to meet the customization needs of 2B customers for welfare gifts; explore omni-channel 2B customers to further expand the 2B customer base; meanwhile strengthening our supply chain capabilities, especially our procurement capabilities and enhancing the competitiveness of our products and customers’ awareness of our brand through obtaining exclusive rights to distribute quality domestically produced fruits and popular imported fruits. In addition, our Group will firmly implement the strategy of “Buy Globally, Sell Globally” to promote high-quality fruits from various production areas to be circulated and traded globally, so that people all over the world can enjoy high-quality fruits.

In the area of category brand building, we will deepen collaboration with suppliers to introduce advanced agricultural technologies and high-quality seeds and seedlings. Together, we will build mega-brands capable of reshaping category dynamics, while empowering both retail and 2B businesses to drive synergistic business growth, enhancing our overall market competitiveness. In terms of product development, we will continue to 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 continue to put food safety as our first and foremost priority, ensuring that our products meet the highest safety standards in the fruit industry.

We still 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 unaudited consolidated financial results for the six months ended June 30, 2025 with comparative figures for the six months ended June 30, 2024.

	Six Months ended June 30,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4,375,873	5,594,124
Cost of sales	(4,160,322)	(4,975,616)
Gross profit	215,551	618,508
Other income	17,423	27,415
Other gains, net	6,993	22,517
Selling expenses	(257,161)	(296,617)
Administrative expenses	(216,248)	(168,696)
Net provision of impairment loss on financial assets	(39,920)	(8,884)
Research and development expenses	(46,494)	(66,323)
Operating (loss)/profit	(319,856)	127,920
Finance income	11,973	27,888
Finance costs	(49,152)	(52,531)
Finance costs, net	(37,179)	(24,643)
Share of profits/(losses) of associates and joint venture, net	4,069	(4,014)
(Loss)/profit before income tax	(352,966)	99,263
Income tax expense	(285)	(15,308)
(Loss)/profit for the period	<u>(353,251)</u>	<u>83,955</u>
(Loss)/profit attributable to:		
Owners of the Company	(342,053)	88,506
Non-controlling interests	(11,198)	(4,551)
	<u>(353,251)</u>	<u>83,955</u>

Revenue

The following table sets forth our Group's revenue by operating segments, each expressed in the absolute amount and as a percentage of our total revenue, for the six months ended June 30, 2024 and 2025, respectively.

	Six Months Ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales of fruits and other food products	4,308,322	98.5	5,435,726	97.2
Royalty and franchising income	8,575	0.2	67,157	1.2
Membership income	21,687	0.5	38,353	0.7
Others	37,289	0.8	52,888	0.9
Total	<u>4,375,873</u>	<u>100.0</u>	<u>5,594,124</u>	<u>100.0</u>

The Group's total revenue decreased by approximately 21.8% from RMB5,594.1 million for the six months ended June 30, 2024 to RMB4,375.9 million for the six months ended June 30, 2025. 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 98.5% of total revenue for the six months ended June 30, 2024 and 2025, 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 our 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 our revenue from sales of fruits and other food products, for the six months ended June 30, 2024 and 2025, respectively.

	Six Months Ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Franchised stores	3,076,920	71.4	4,011,787	73.8
Self-operated stores	14,772	0.3	21,218	0.4
Regional dealers	479,212	11.1	627,807	11.5
Direct sales	700,473	16.3	712,778	13.1
Online channels	36,945	0.9	62,136	1.2
Total	<u>4,308,322</u>	<u>100.0</u>	<u>5,435,726</u>	<u>100.0</u>

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 6,011 stores as at June 30, 2024 to 4,375 stores as at June 30, 2025.

The decrease in revenue from direct sales was primarily due to the decline of the Group's 2B business in overseas market. The Group's total sales amount derived from exporting fruits and fruit products to 2B customers in overseas market decreased by approximately 19.6% from RMB141.0 million for the six months ended June 30, 2024 to RMB113.3 million for the six months ended June 30, 2025 due to restrictions on fruit exports implemented by some countries since 2025 in overseas market. The Group's total sales amount derived from 2B customers in domestic market increased by approximately 2.7% from RMB571.8 million for the six months ended June 30, 2024 to RMB587.1 million for the six months ended June 30, 2025 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 16.4% from RMB4,975.6 million for the six months ended June 30, 2024 to RMB4,160.3 million for the six months ended June 30, 2025. Cost of inventories sold represented the majority portion of the Group's cost of sales, accounting for approximately 96.1% and 95.9% of the Group's total cost of sales for the six months ended June 30, 2024 and 2025, respectively. The rates of decrease in cost of sales and cost of inventories sold were different from the rate of 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 since 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 65.1% from RMB618.5 million for the six months ended June 30, 2024 to RMB215.6 million for the six months ended June 30, 2025. The Group's gross profit margin decreased from 11.1% for the six months ended June 30, 2024 to 3.1% for the six months ended December 31, 2024 and then increased slightly to 4.9% for the six months ended June 30, 2025, 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. Our Group will continue to enhance its gross profit margin through proactive measures including enriching product categories and optimizing product mix.

Other Income

The Group's other income decreased by approximately 36.4% from RMB27.4 million for the six months ended June 30, 2024 to RMB17.4 million for the six months ended June 30, 2025. The decrease was primarily due to decrease in government grant relating to the Company's contribution to agricultural development from RMB14.5 million for the six months ended June 30, 2024 to RMB2.1 million for the six months ended June 30, 2025.

Other Gains, Net

The Group recorded other gains, net of RMB22.5 million and RMB7.0 million for the six months ended June 30, 2024 and 2025, respectively. It was primarily due to the loss on dilution of investment in a joint venture, Nanjing Jinse Zhuangyuan Agricultural Products Co., Ltd.* (南京金色莊園農產品有限公司) ("**Nanjing Jinse Zhuangyuan**") for the six months ended June 30, 2025.

Selling Expenses

The Group's selling expenses decreased by approximately 13.3% from RMB296.6 million for the six months ended June 30, 2024 to RMB257.2 million for the six months ended June 30, 2025. The decrease was primarily due to decrease in headcount of our Group's selling staff from 1,228 as of June 30, 2024 to 1,035 as of June 30, 2025.

Administrative Expenses

The Group's administrative expenses increased by approximately 28.2% from RMB168.7 million for the six months ended June 30, 2024 to RMB216.2 million for the six months ended June 30, 2025. The increase was primarily due to the implementation of our Company's share award scheme adopted in September 2023 which led to share-based payment expenses of RMB17.7 million for the six months ended June 30, 2025 as compared to nil for the same period in 2024 and the redundancy compensation of RMB24.0 million paid to staff for the six months ended June 30, 2025 in relation to mass systematic staff layoff kicked off in the fourth quarter of 2024 as compared to redundancy compensation of RMB2.7 million incurred in relation to routine workforce adjustment during the ordinary and usual course of business for the six months ended June 30, 2024.

Net Provision of Impairment Loss on Financial Assets

Net impairment loss on financial assets for the six months ended June 30, 2024 and 2025 mainly represented a general expected credit loss on trade and other receivables. Provision of impairment losses on financial assets amounted to RMB8.9 million for the six months ended June 30, 2024, while provision of impairment loss on financial assets amounted to RMB39.9 million for the six months ended June 30, 2025. 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 29.9% from RMB66.3 million for the six months ended June 30, 2024 to RMB46.5 million for the six months ended June 30, 2025. The decrease was primarily due to decrease in headcounts of the Group's research and development staff from 374 as of June 30, 2024 to 288 as of June 30, 2025.

Finance Costs, Net

Finance income decreased by approximately 57.1% from RMB27.9 million for the six months ended June 30, 2024 to RMB12.0 million for the six months ended June 30, 2025, which was mainly attributable to the decrease in interest income arising from bank deposits.

Finance costs decreased by approximately 6.4% from RMB52.5 million for the six months ended June 30, 2024 to RMB49.2 million for the six months ended June 30, 2025, which was mainly attributable to the decrease 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 RMB4.1 million for the six months ended June 30, 2025 as compared to share of losses of associates and joint ventures, net of RMB4.0 million for the six months ended June 30, 2024. The share of profits was mainly contributed by Nanjing Jinse Zhuangyuan that primarily involved in trading of strawberry.

(Loss)/Profit Before Income Tax

As a result of the foregoing, the Group recorded loss before income tax of RMB353.0 million for the six months ended June 30, 2025, while the Group recorded profit before income tax of RMB99.3 million for the six months ended June 30, 2024. 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; 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 6,011 as of June 30, 2024 to 4,375 as of June 30, 2025.

Income Tax Expense

Income tax expense decreased by approximately 98.1% from RMB15.3 million for the six months ended June 30, 2024 to RMB0.3 million for the six months ended June 30, 2025, primarily due to decrease in operating profit which led to decrease in taxable income. The difference in magnitude of the decrement in the Group's profit before income tax and its taxable income for the six months ended June 30, 2024 was primarily because some of the Group's subsidiaries enjoyed preferential tax treatments and tax exemptions for the six months ended June 30, 2025.

(Loss)/Profit for the period

As a result of the foregoing, the Group recorded net loss of approximately RMB353.3 million for the six months ended June 30, 2025, as compared to the Group's net profit of approximately RMB84.0 million for the six months ended June 30, 2024. The Group's net profit margin was 1.5% for the six months ended June 30, 2024, while the Group's net loss margin was 8.1% for the six months ended June 30, 2025.

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 period as adjusted by share-based payment expenses, redundancy compensation in relation to layoff or workforce adjustment and (loss)/gain on dilution of investment in associates and joint venture. Adjusted net profit margin is calculated as adjusted net profit for the period divided by total revenue for the relevant period. The aforementioned adjustment items represent expenses in relation to award shares granted pursuant to the Company's 2023 share award scheme on May 20, 2024, November 20, 2024 and June 5, 2025, redundancy compensation in relation to mass systematic staff layoff kicked off in the fourth quarter of 2024 and the loss on dilution of investment in an associate, Xiamen Weiyu Ecological Agriculture Co., Ltd.* (廈門微玉生態農業有限公司), and a joint venture, Nanjing Jinse Zhuangyuan, for the six months ended June 30, 2025, respectively.

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 period under HKFRS to adjusted net (loss)/profit and adjusted net (loss)/profit margin, respectively, for the period indicated.

	Six Months ended June 30,	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the period (as reported under HKFRS)	(353,251)	83,955
Add: Share-based payment expense	17,688	4,959
Add: Redundancy compensation in relation to layoff or workforce adjustment	24,002	2,718
Add: Loss/(gain) on dilution of investment in associates and joint venture	16,407	(3,658)
Adjusted net (loss)/profit for the period (non-HKFRS measure)	<u>(295,154)</u>	<u>87,974</u>
Net (loss)/profit margin (as reported under HKFRS)	(8.1%)	1.5%
Adjusted net (loss)/profit margin (non-HKFRS measure)	(6.7%)	1.6%

Liquidity and Capital Resources

For the six months ended June 30, 2025, 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.

Capital Structure

As of June 30, 2025, the Group had net assets of RMB2,465.2 million, as compared to RMB2,810.3 million as of December 31, 2024. Net assets as of June 30, 2025 primarily comprised current assets of RMB5,082.7 million, non-current assets of RMB2,201.4 million, current liabilities of RMB4,092.7 million and non-current liabilities of RMB726.2 million.

Cash and Bank Balances

As compared with RMB2,340.2 million as of December 31, 2024, the Group had cash and bank deposits of RMB2,316.5 million as of June 30, 2025, which was consisted of unrestricted cash and cash equivalents of RMB1,954.9 million and restricted bank deposits of RMB361.6 million.

As of December 31, 2024 and June 30, 2025, 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 June 30, 2025:

Intended use of Net Proceeds	Adjusted allocation of Net Proceeds ⁽¹⁾ (million)	Adjusted percentage of total Net Proceeds ⁽¹⁾	Amount of Net Proceeds utilized up to December 31, 2024 (million)	Balance of Net Proceeds utilized during the six months ended June 30, 2025 (million)	Balance of Net Proceeds unutilized as of June 30, 2025 (million)	Expected Timeframe ⁽²⁾
To improve and enhance operation and supply chain systems	HK\$23.3	4.9%	HK\$11.4	HK\$11.9	nil	–
To upgrade and improve core backbone IT systems and infrastructure	HK\$169.5	35.8%	HK\$92.4	HK\$68.2	HK\$8.9	Before December 31, 2026
To repay part of interest-bearing bank borrowings	HK\$91.5	19.3%	HK\$91.5	nil	nil	–
To use as working capital and for general corporate purposes	HK\$189.7	40.0%	HK\$23.3	HK\$156.5	HK\$9.9	Before December 31, 2025
TOTAL	HK\$474.0	100.0%	HK\$218.6	HK\$236.6	HK\$18.8	

Notes:

- (1) Based on the actual amounts of Net Proceeds adjusted on pro rata basis and subsequently adjusted based on the reallocation of the unutilized Net Proceeds as of February 7, 2025 resolved by the Board on February 7, 2025 after taking into account the Company’s operating conditions and business strategies and approved by the Company’s shareholders on March 6, 2025, except for the fixed amount of HK\$91.5 million used to repay the Group’s interest-bearing bank borrowings. Details of the adjustment of the allocation of the Net Proceeds was set out in the announcement of the Company dated February 7, 2025 and the circular of the Company dated February 18, 2025 (the “**Reallocation and Adjustment Announcement and Circular**”).
- (2) Based on the Group’s current estimates of its business plans and market conditions, and subject to change and adjustment.

As of June 30, 2025, the Net Proceeds unutilized had been deposited into short-term interest-bearing deposits placed in licensed banks in China. The Group intends to utilize the Net Proceeds in the manner as disclosed in the Reallocation and Adjustment Announcement and Circular.

Indebtedness

As of June 30, 2025, the Group had an aggregate non-current bank borrowings of RMB267.4 million and short-term bank borrowings of RMB2,282.9 million. Such outstanding bank borrowings were denominated in Renminbi and the majority portion was at fixed interest rates with the remaining at variable interest rates.

The Group uses the gearing ratio (gearing ratio = total borrowings/total equity at the end of period and multiplied by 100%) to monitor its capital structure. The Group's gearing ratio increased from 89.3% as of December 31, 2024 to 103.5% as of June 30, 2025, which was primarily due to decrease in total equity. The decrease in total equity was primarily due to phased impact of the Company's proactive promotion of strategic transformation and operational efficiency upgrades since the second half of 2024, which led to loss attributable to our Company. The Board considers that the strategic transformation has been completed in the first half of 2025 and our Company will continue to enhance our overall profitability through proactive measures including enriching product categories, optimizing product mix and expanding store network.

Pledged Assets

As of June 30, 2025, the Group's right-of-use assets of RMB45.5 million (December 31, 2024: RMB47.7 million) and the Group's building classified under property, plant and equipment of RMB21.4 million (December 31, 2024: RMB22.0 million) were pledged as collateral for the Group's bank borrowings.

Cash Flows

For the six months ended June 30, 2025, net cash used in operating activities was RMB123.2 million, while net cash generated from operating activities was RMB277.7 million for the six months ended June 30, 2024, which was mainly attributable to cash used in operating activities included decrease in trade payables of RMB61.6 million and increase in deposits, prepayments and other receivables of RMB60.1 million for the six months ended June 30, 2025. The decrease of trade payables was mainly due to settlement of trade payables as a result of closure of stores under the Company's strategic transformation implemented since the second half of 2024. The strategic transformation has been completed in the first half of 2025.

For the six months ended June 30, 2025, net cash generated from investing activities was RMB191.4 million, while net cash used in investing activities was RMB1,002.7 million for the six months ended June 30, 2024, which was mainly attributable to the net impact of payment for property, plant and equipment for new office building located in Yantian District, Shenzhen, China and net proceed of financial assets at FVTPL of RMB27.1 million and RMB227.7 million, respectively, for the six months ended June 30, 2025.

For the six months ended June 30, 2025, net cash used in financing activities was RMB8.3 million, while the cash generated from financing activities was RMB905.8 million for the six months ended June 30, 2024, which was mainly attributable to net impact of repayments under supplier finance arrangements of RMB113.6 million and net redemption of restricted deposits of RMB118.5 million.

Financial Assets, Capital and Investment Management

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

As of June 30, 2025, our Group had (i) structured deposits which accounted for as financial assets at FVTPL of RMB487.7 million (December 31, 2024: RMB669.7 million), (ii) other financial assets at FVTPL of RMB50.0 million (December 31, 2024: RMB83.7 million), and (iii) financial assets at FVOCI of RMB37.5 million (December 31, 2024: RMB35.9 million).

Our 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 RMB27.1 million for the six months ended June 30, 2025, mainly for the payments of construction in progress of the Group's new office building located in Yantian District, Shenzhen, China.

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

Contingent Liabilities and Guarantees

As of June 30, 2025, the Group did not have any contingent liabilities, guarantees or any significant litigation against it.

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

Subscriptions of Wealth Management Products

In the first half of 2025, 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 January 2, 2025, the Company subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB200 million with expected annual return rate of 1.05% or 2.18%, depending on the fixed price of relevant linked indicators (the Thirteenth Subscription).

On March 11, 2025, the Company subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB140 million with expected annual return rate of 1.05% or 2.20%, depending on the fixed price of relevant linked indicators (the Fifteenth Subscription).

On April 9, 2025, the Company subscribed for a structured deposit product offered by CITIC with an aggregated principal amount of RMB160 million with expected annual return rate of 1.05% or 2.13%, depending on the fixed price of relevant linked indicators (the Seventeenth Subscription).

- *Subscriptions of Wealth Management Products Offered by BOB*

On January 15, 2025, the Company subscribed for a structured deposit product offered by BOB with an aggregated principal amount of RMB170 million with expected annual return rate of 1.05% or 2.15%, depending on the fixed price of relevant linked indicators (the Fourteenth Subscription).

On March 18, 2025, the Company subscribed for a structured deposit product offered by BOB with an aggregated principal amount of RMB180 million with expected annual return rate of 1.30% or 1.85%, depending on the fixed price of relevant linked indicators (the Sixteenth Subscription).

Each of the CITIC wealth management structured deposit products and the BOB wealth management structured deposit products are short-term principal-protected wealth management products that have relatively low associated risks issued by a reputable commercial bank. Therefore, the subscriptions of such wealth management structured deposit products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. The subscriptions of such wealth management structured deposit products are considered to be part of the Group's treasury management to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment and the term to maturity, and to bring higher return on capital. As of June 30, 2025, except for the wealth management products underlying the Sixteenth Subscription and the Seventeenth Subscription, all other subscriptions as mentioned above were matured and fully redeemed. For further details, please refer to the Company's announcements dated January 3, 2025, January 16, 2025, March 12, 2025, March 19, 2025, April 9, 2025.

Save as disclosed above, the Company had no significant investments, material acquisitions or disposals of subsidiaries, associates and joint ventures in the first half of 2025.

In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus and subsequent adjustments set out in the Reallocation and Adjustment Announcement and Circular, 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 10.9 days for the six months ended June 30, 2024 to 12.3 days for the six months ended June 30, 2025.

Average trade receivables turnover days slightly increased from 34.2 days for the six months ended June 30, 2024 to 35.8 days for the six months ended June 30, 2025, primarily due to the decrease of total revenue of the Company by approximately 21.8%. 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 ageing 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 14.1 days for the six months ended June 30, 2024 to 21.5 days for the six months ended June 30, 2025, primarily due to that the Company extended its settlement policy since fourth quarter of 2024.

Employees and Employee Benefit Expenses

As of June 30, 2025, the Group had a total of 2,156 employees, among which approximately 16.7% were from marketing department, 15.2% were from operating and store management department, 16.9% were from production and logistics department and 13.4% were from IT department.

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

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

In the first half of 2025, the Group incurred total employee benefit expenses of RMB338.2 million, representing approximately 7.7% of total revenue of the Group for the same period.

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

Major Suppliers and Major Customers

For the six months ended June 30, 2025, purchases from the Group's largest supplier in terms of dollar amount accounted for approximately 5.3% of total purchase cost of the Group for the same period, and the aggregate purchases from its top five suppliers in aggregate accounted for 20.4% of total purchase cost of the Group for the same period.

For the six months ended June 30, 2025, revenue contributed by the Group's largest customer accounted for approximately 1.5% of total revenue of the Group for the same period, and the aggregate revenue contributed by its top five customers accounted for approximately 6.6% of total turnover of the Group for the same period. All top five customers were the Group's franchisees.

Reserves

As of June 30, 2025, the Company's reserves available for distribution to Shareholders amounted to approximately RMB94.5 million.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
	Note	2025	2024
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	4,375,873	5,594,124
Cost of sales	4	(4,160,322)	(4,975,616)
Gross profit		215,551	618,508
Other income		17,423	27,415
Other gains, net		6,993	22,517
Selling expenses	4	(257,161)	(296,617)
Administrative expenses	4	(216,248)	(168,696)
Net provision of impairment loss on financial assets		(39,920)	(8,884)
Research and development expenses	4	(46,494)	(66,323)
Operating (loss)/profit		(319,856)	127,920
Finance income		11,973	27,888
Finance costs		(49,152)	(52,531)
Finance costs, net		(37,179)	(24,643)
Share of profits/(losses) of associates and joint venture, net		4,069	(4,014)
(Loss)/profit before income tax		(352,966)	99,263
Income tax expense	5	(285)	(15,308)
(Loss)/profit for the period		(353,251)	83,955
(Loss)/profit attributable to:			
Owners of the Company		(342,053)	88,506
Non-controlling interests		(11,198)	(4,551)
		(353,251)	83,955
(Loss)/earnings per share for profit attributable to the owners of the Company			
Basic and diluted (expressed in RMB cents per share)	6	(23.43)	5.83

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	Note	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss) /profit for the period	(353,251)	83,955
Other comprehensive income		
<i>Items that will not be subsequently reclassified to profit or loss</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")	641	3,520
Income tax relating to FVOCI	(86)	240
Other comprehensive income for the period, net of tax	555	3,760
Total comprehensive (loss)/income for the period	(352,696)	87,715
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(341,498)	92,266
Non-controlling interests	(11,198)	(4,551)
	(352,696)	87,715

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment		621,462	628,200
Right-of-use assets		430,111	458,651
Investment property		2,308	2,352
Intangible assets		251,980	257,960
Interests in associates and joint venture		345,714	357,283
Financial assets at FVOCI		37,483	35,913
Financial assets at fair value through profit or loss ("FVTPL")		49,967	61,960
Restricted bank deposits		1,009	1,009
Long-term bank deposits		63,299	81,835
Deposits, prepayments and other receivables		385,501	428,792
Deferred tax assets		12,605	9,153
		2,201,439	2,323,108
Current assets			
Inventories		238,698	330,131
Biological assets		5,454	7,133
Trade receivables	8	773,030	965,281
Deposits, prepayments and other receivables		1,319,351	1,224,273
Financial assets at FVTPL		487,687	691,441
Amounts due from associates and joint venture		6,353	20,906
Restricted bank deposits		360,587	445,436
Short-term bank deposits		74,429	53,586
Cash and cash equivalents		1,817,137	1,758,293
		5,082,726	5,496,480
Total assets		7,284,165	7,819,588

	<i>Note</i>	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Bank borrowings		267,406	161,924
Other payables		85,807	92,521
Contract liabilities		6,220	11,212
Lease liabilities		361,045	378,098
Deferred tax liabilities		5,755	6,295
		<u>726,233</u>	<u>650,050</u>
Current liabilities			
Trade payables	9	466,294	527,870
Accruals and other payables		1,270,689	1,291,407
Dividend payable	7	10,006	—
Contract liabilities		22,276	13,429
Income tax payables		1,777	1,106
Amounts due to associates and joint venture		3,075	19,527
Liabilities under supplier finance arrangements		15,119	128,721
Bank borrowings		2,282,929	2,346,721
Lease liabilities		20,565	30,459
		<u>4,092,730</u>	<u>4,359,240</u>
Total liabilities		<u>4,818,963</u>	<u>5,009,290</u>
Net assets		<u>2,465,202</u>	<u>2,810,298</u>
Equity			
Equity attributable to the owners of the Company			
Share capital		1,539,338	1,588,544
Reserves		834,332	1,119,024
		<u>2,373,670</u>	<u>2,707,568</u>
Capital and reserves attributable to owners of the Company		2,373,670	2,707,568
Non-controlling interests		91,532	102,730
Total equity		<u>2,465,202</u>	<u>2,810,298</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2025 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting”. The interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2024, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

2.2 Accounting policies

The accounting policies applied are consistent with those applied in preparation of the Group's financial statements for the year ended 31 December 2024, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new standards, amendments to standards and interpretations as set out below.

(a) New and amended standards adopted by the Group

The following new and amended standards apply for the first time to financial reporting periods commencing on or after 1 January 2025:

Amendments to HKAS 21 and HKFRS 1	Lack of Exchangeability
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Amended standards that have been issued but are not effective for the six months ended 30 June 2025 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments; Contracts Referencing Nature-dependent Electricity	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

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

3 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The 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 segment based on these reports.

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

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

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

(b) Segment revenue and result

	Franchising RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2025 (Unaudited)				
Revenue from contracts	3,807,687	724,421	24,956	4,557,064
Less: Inter-segment revenue	—	(168,370)	(12,821)	(181,191)
Revenue from external customers	3,807,687	556,051	12,135	4,375,873
Segment results	(275,551)	10,688	(12,810)	(277,673)
Unallocated other gains, net				6,444
Unallocated corporate expenses				(56,531)
Unallocated finance income				11,973
Unallocated finance cost				(37,179)
Loss before income tax				(352,966)
Income tax expense				(285)
Loss for the period				(353,251)
Depreciation and amortisation	53,362	7,262	6,135	66,759
Additions to:				
Property, plant and equipment	17,708	2,198	7,205	27,111
Right-of-use assets	6,414	4,850	—	11,264
Intangible assets	1,193	13	—	1,206

	Franchising RMB'000	Trading RMB'000	Others RMB'000	Total RMB'000
Six months ended 30 June 2024 (Unaudited)				
Revenue from contracts	5,032,445	747,997	19,491	5,799,933
Less: Inter-segment revenue	—	(194,532)	(11,277)	(205,809)
Revenue from external customers	<u>5,032,445</u>	<u>553,465</u>	<u>8,214</u>	<u>5,594,124</u>
Segment results	150,401	23,916	(15,002)	159,315
Unallocated other gains, net				6,723
Unallocated corporate expenses				(57,035)
Unallocated finance income				27,888
Unallocated finance cost				<u>(37,628)</u>
Profit before income tax				99,263
Income tax expense				<u>(15,308)</u>
Profit for the period				<u><u>83,955</u></u>
Depreciation and amortisation	57,190	6,562	4,821	68,573
Additions to:				
Property, plant and equipment	46,257	6,709	35,968	88,934
Right-of-use assets	12,484	3,584	876	16,944
Intangible assets	<u>806</u>	<u>—</u>	<u>—</u>	<u>806</u>

(c) Geographical segment

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	4,262,532	5,453,097
Indonesia	40,817	68,815
Singapore	40,567	30,372
Hong Kong and other countries	31,957	41,840
	<u>4,375,873</u>	<u>5,594,124</u>

Over 99% of the Group's assets and liabilities are located in the Mainland China. Accordingly, no segment assets and liabilities by geographical segment is presented (31 December 2024: same).

There is no single external customer contributed to more than 10% of the Group's revenue during the six months ended 30 June 2025 (six months ended 30 June 2024: same).

4 EXPENSES BY NATURE

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	3,991,077	4,780,592
Employee benefit expenses (including directors' emoluments)	338,244	331,252
Depreciation of property, plant and equipment	30,155	25,633
Depreciation of right-of-use assets	29,418	33,992
Amortisation of intangible assets	7,186	8,948
Remuneration of auditors (<i>Note a</i>)	2,300	2,300
Legal and professional fees	54,231	54,735
Delivery charges	77,561	97,914
Marketing and promotion expenses	37,050	51,988
Office supplies	3,155	3,735
Labour cost (<i>Note b</i>)	50,181	42,711
Expenses relating to short-term leases	15,038	15,738
Travelling expenses	5,796	7,750
Entertainment	2,019	4,790
Water and electricity	7,089	7,046
Other tax expenses	7,067	10,700
Others	22,658	27,428
	4,680,225	5,507,252
Representing:		
Cost of sales	4,160,322	4,975,616
Selling expenses	257,161	296,617
Administrative expenses	216,248	168,696
Research and development expenses	46,494	66,323
	4,680,225	5,507,252

Note:

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

5 INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax	4,362	16,305
Deferred tax	(4,077)	(997)
Income tax expense	285	15,308

Income tax expense is recognised using the tax rate that would be applicable to expected total annual earnings.

6 EARNINGS PER SHARE

(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 six months ended June 30, 2025 (2024: same).

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	(342,053)	88,506
Weighted average number of shares outstanding ('000)	1,459,919	1,519,412
Basic (loss)/earnings per share (expressed in RMB cent)	(23.43)	5.83

(b) Diluted (loss)/earnings per share

During the six months ended June 30, 2025, 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 30 June 2025 (2024: same). Hence, diluted loss per share for the six months ended June 30, 2025 is the same as the basic loss per share (2024: diluted earnings per share is the same as the basic earnings per share).

7 DIVIDENDS

The final dividend of RMB0.0065 per ordinary share, equivalent to a total of approximately RMB10,006,000 for the year ended 31 December 2024, has been approved by the Company's shareholders at its annual general meeting and has been recognised as dividend payable in the interim condensed consolidated statement of financial position as at 30 June 2025.

The board does not recommend payment of interim dividend for the period ended 30 June 2025 (2024: same).

8 TRADE RECEIVABLES

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Trade receivables, gross	856,350	1,034,749
Less: loss allowance	<u>(83,320)</u>	<u>(69,468)</u>
Trade receivables, net	<u><u>773,030</u></u>	<u><u>965,281</u></u>

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

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
1 to 90 days	553,115	653,062
91 to 180 days	189,573	285,007
181 to 365 days	41,603	36,101
Over 1 year	<u>72,059</u>	<u>60,579</u>
	<u><u>856,350</u></u>	<u><u>1,034,749</u></u>

As at 30 June 2025, the maximum exposure to credit risk is the carrying value of trade receivables mentioned above and the Group does not hold any collateral as security (31 December 2024: same).

9 TRADE PAYABLES

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

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
1 to 30 days	433,047	474,711
31 to 60 days	18,155	20,879
61 to 90 days	1,841	6,859
Over 90 days	<u>13,251</u>	<u>25,421</u>
	<u><u>466,294</u></u>	<u><u>527,870</u></u>

As at 30 June 2025, the carrying amounts of the Group's trade payables approximate their fair values and are denominated in RMB (31 December 2024: same).

OTHER INFORMATION

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended June 30, 2025.

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.

During the six months ended June 30, 2025, 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 six months ended June 30, 2025. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company for the aforesaid period.

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

During the six months ended June 30, 2025, 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 June 30, 2025, 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 six months ended June 30, 2025 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

As of the date of this announcement, there was no significant event affecting our Group which occurred subsequent to June 30, 2025.

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. JIAO Yue. The Audit Committee has also adopted written terms of reference which clearly set out its duties and obligations (the terms of reference are available on the websites of the Company and the Stock Exchange).

The Audit Committee has, together with the senior management of the Company, reviewed the accounting principles and practices adopted by the Group as well as the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2025.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

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

PUBLICATION OF 2025 INTERIM RESULTS AND 2025 INTERIM REPORT

This interim 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 interim report of the Company for the six months ended June 30, 2025 containing all the information required by the Listing Rules will be disseminated to the Shareholders and published on the respective websites of the Company and the Stock Exchange within the prescribed time and in accordance with the requirements under the Listing Rules.

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

Shenzhen, the People's Republic of China
August 21, 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 and Mr. ZHU Qidong as executive Directors, Mr. JIAO Yue 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