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凤祥食品

SHANDONG FENGXIANG CO., LTD.

山東鳳祥股份有限公司

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

(Stock Code: 9977)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

Key Operating Data

	For the year ended 31 December		
	2024	2023	Change (%)
White-feathered broilers bred (unit: million birds)	179.0	172.5	+3.8
White-feathered broilers processed (unit: million kg)	430.0	370.1	+16.2
Sales volume:			
Raw chicken meat products (unit: million kg)	279.3	241.3	+15.8
Processed chicken meat products (unit: million kg)	152.9	129.1	+18.4
Chicken breeds (unit: million birds)	10.7	34.2	-68.7

Key Financial Data

	For the year ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
Revenue	5,504,651	5,134,413
Gross profit	660,099	591,464
Net profit	280,867	160,319
Net profit attributable to the shareholders of the parent company	280,867	160,319
Adjusted net profit ⁽¹⁾	198,048	160,319
Basic earning per share (<i>in RMB cents</i>)	17.9	10.8

Note:

1. Net profit after deducting the reversal of monetary fund receivables bad debt and the corresponding tax and interests arising from the liquidation of GMK Finance Co., Ltd. (“**GMK Finance**”).

FINANCIAL INFORMATION

The board of directors (the “**Board of Directors**”) of Shandong Fengxiang Co., Ltd. (the “**Company**” or “**Fengxiang**” and its subsidiaries, collectively the “**Group**”) hereby announces the audited consolidated results and financial position of the Group for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows. Unless otherwise specified, financial data of the Company are presented in Renminbi (“**RMB**”).

The following financial information is a summary of the audited consolidated financial statements for the year ended 31 December 2024 of the Group prepared under China Accounting Standards for Business Enterprises (“**CASBE**”) and relevant regulations issued by the Ministry of Finance of the People’s Republic of China (the “**PRC**” or “**China**”), which have been reviewed by the audit committee of the Board of Directors (the “**Audit Committee**”).

The following financial statements, notes and discussion and analysis contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2024

		For the year ended 31 December	
		2024	2023
	Note	RMB'000	RMB'000
Total operating revenue	3	5,504,651	5,134,413
Less: Operating costs		4,844,553	4,542,949
Taxes and charges		35,566	35,835
Selling expenses		163,969	156,268
Administrative expenses		130,750	100,604
Research and development expenses		25,623	22,708
Finance costs	4	52,133	102,981
Add: Other gains	5	3,759	6,698
Investment loss		(6,687)	(5,232)
Including loss on investments in associates and joint ventures		(6,124)	(5,231)
(Loss)/gain on changes in fair value	6	(10,483)	2,869
Credit impairment gain/(loss)	7	47,710	(5,426)
Asset impairment loss		(19,652)	(2,191)
Gain on disposal of assets		10	249
Operating profit		266,714	170,035
Add: non-operating income		1,815	1,365
Less: non-operating expenses		10,313	7,455
Profit		258,216	163,945
Less: income tax (credit)/expenses	8	(22,651)	3,626
Net profit		280,867	160,319
Net other comprehensive loss after tax		(204)	(49)
Total comprehensive income		280,663	160,270
Total comprehensive income shareholders of the parent company		280,663	160,270
Earning per share	10		
Basic earning per share (RMB per Share)		0.18	0.11
Diluted earning per share (RMB per Share)		0.18	0.11

CONSOLIDATED BALANCE SHEET

As at 31 December 2024

		As at 31 December 2024	As at 31 December 2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current assets			
Monetary funds		354,959	198,503
Transactional financial assets		2,478	293
Trade receivable	<i>11</i>	327,027	272,666
Prepayments		31,320	29,073
Other receivables		3,755	11,204
Inventories	<i>12</i>	969,066	947,344
Other current assets		41,599	60,495
Total current assets		<u>1,730,204</u>	<u>1,519,578</u>
Non-current assets			
Long-term equity investments		46,293	54,610
Fixed assets		2,844,168	2,955,067
Construction in progress	<i>13</i>	2,700	6,311
Productive biological assets	<i>14</i>	204,930	221,016
Right-of-use assets		207,660	184,733
Intangible assets		87,438	87,323
Long-term deferred expenses		10,837	16,597
Deferred income tax assets		64,564	2,397
Other non-current assets		36,108	9,434
Total non-current assets		<u>3,504,698</u>	<u>3,537,488</u>
Total assets		<u>5,234,902</u>	<u>5,057,066</u>

		As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
	<i>Note</i>		
Current liabilities			
Short-term borrowings	16	633,646	280,373
Trade payable	15	399,453	380,727
Contract liabilities		23,608	41,852
Payroll payable		111,594	76,483
Taxes payable		10,820	9,470
Other payable	16	142,816	311,886
Non-current liabilities due within one year	16	186,807	165,860
Other current liabilities	16	<u>11,687</u>	<u>225,515</u>
Total current liabilities		<u>1,520,431</u>	<u>1,492,166</u>
Non-current liabilities			
Long-term borrowings	16	159,950	319,970
Lease liabilities		203,550	187,780
Long-term payable		25,681	6,011
Estimated liabilities		746	40
Deferred income		17,256	19,006
Deferred income tax liabilities		<u>848</u>	<u>197</u>
Total non-current liabilities		<u>408,031</u>	<u>533,004</u>
Total liabilities		<u>1,928,462</u>	<u>2,025,170</u>

		As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
	<i>Note</i>		
Owners' equity			
Share capital	17	1,583,348	1,582,618
Capital reserve		689,489	697,795
Less: treasury shares		19,859	21,315
Other comprehensive loss		(926)	(723)
Surplus reserves		174,086	155,378
Undistributed profits		<u>880,302</u>	<u>618,143</u>
Total equity attributable to owners of the parent company		<u>3,306,440</u>	<u>3,031,896</u>
Total owners' equity		<u>3,306,440</u>	<u>3,031,896</u>
Total liabilities and owners' equity		<u>5,234,902</u>	<u>5,057,066</u>

NOTES

For the year ended 31 December 2024

1. BASIS OF PREPARATION

The financial statements are prepared in accordance with the Accounting Standard for Business Enterprises — Basic Standard issued by the Ministry of Finance of the PRC and respective specific accounting standards, application guidelines for accounting standards for business enterprises, interpretation for accounting standards for business enterprises, and other relevant regulations (hereinafter collectively referred to as the “**Accounting Standards for Business Enterprises**”). In addition, the financial statements also comply with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the applicable disclosure requirements of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

2. GOING CONCERN

These financial statements are prepared on a going concern basis.

3. REVENUE AND SEGMENT INFORMATION

The Group’s revenue from customer contracts is recognised at a point in time after the goods have been transferred. For management purposes, the Group divides its business units by products and has the following four reportable operating segments:

- (a) production and sale of processed chicken meat products;
- (b) production and sale of raw chicken meat products;
- (c) production and sale of chicken breeds; and
- (d) others comprising the sale of by-products, packing materials and miscellaneous products.

The management of the Company monitors the results of the Group’s operating segments separately for the purpose of making decisions on resource allocation and performance assessment.

Segment assets and liabilities are not disclosed in the unaudited condensed consolidated financial statements as they are not regularly provided to the management for the purposes of resource allocation and performance assessment.

Operating revenue/operating costs

	For the year ended 31 December			
	2024		2023	
	Revenue <i>RMB'000</i>	Costs <i>RMB'000</i>	Revenue <i>RMB'000</i>	Costs <i>RMB'000</i>
Principal business	5,480,874	4,837,961	5,112,430	4,537,183
Other business	<u>23,777</u>	<u>6,592</u>	<u>21,983</u>	<u>5,766</u>
Total	<u>5,504,651</u>	<u>4,844,553</u>	<u>5,134,413</u>	<u>4,542,949</u>

As at the end of the Reporting Period, the transaction price corresponding to performance obligations that have been contracted but not yet performed or not yet completed was RMB23,608,000, which is expected to be recognised as revenue in 2025.

Revenue by products

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Raw chicken meat	2,343,404	2,284,084
Processed chicken meat	2,955,393	2,613,650
Chicken breeds	26,964	61,015
Others	<u>178,890</u>	<u>175,664</u>
Total	<u>5,504,651</u>	<u>5,134,413</u>

Revenue by geographical location of customers

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	3,828,207	3,738,375
Japan	411,624	412,575
Malaysia	298,221	177,507
Europe	826,627	691,772
Other countries or regions	<u>139,972</u>	<u>114,184</u>
Total	<u>5,504,651</u>	<u>5,134,413</u>

4. FINANCE COSTS

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	62,841	91,164
Including: Interest expenses on lease liabilities	11,566	11,222
Less: Interest income	5,923	6,171
Exchange (loss)/gain	(17,030)	13,023
Handling fee	12,177	1,060
Discount acceptance notes	<u>68</u>	<u>3,905</u>
Total	<u><u>52,133</u></u>	<u><u>102,981</u></u>

5. OTHER GAINS

	For the year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	3,560	6,503
Handling fee for withholding individual income tax	199	148
VAT directly exempted	<u>—</u>	<u>47</u>
Total	<u><u>3,759</u></u>	<u><u>6,698</u></u>

Government grants include various subsidies received by the Group from relevant government bodies in connection with certain financial subsidies to support the Group's businesses. There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/GAIN ON CHANGES IN FAIR VALUE

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Transactional financial assets	—	293
Including: Gain from changes in fair value of derivative financial instruments	—	293
(Loss)/gain on changes in fair value of productive biological assets and consumptive biological assets	<u>(10,483)</u>	<u>2,576</u>
Total	<u><u>(10,483)</u></u>	<u><u>2,869</u></u>

The Company's (loss)/gain on changes in fair value of biological assets consists of: (i) (loss)/gain arising from initial recognition of consumptive biological assets at fair value less sales costs upon harvest; and (ii) (loss)/gain arising from changes in fair value of productive biological assets less sales costs.

The Company engaged an independent professional appraiser to assess the fair value of the biological assets as at the balance sheet date.

7. CREDIT IMPAIRMENT GAIN/(LOSS)

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Amounts receivables bad debt loss	(9,504)	(6,090)
Reversal of other receivables bad debt	607	664
Reversal of monetary fund receivables bad debt	<u>56,607</u>	<u>—</u>
Total	<u><u>47,710</u></u>	<u><u>(5,426)</u></u>

The reversal of monetary fund receivables bad debt is due to the receipt of assets recovered from the liquidation of GMK Finance during the current period.

8. INCOME TAX EXPENSES

	For the year ended	
	31 December	
	2024	2023
	RMB'000	RMB'000
Current income tax expenses	38,865	4,089
Deferred income tax expenses	<u>(61,516)</u>	<u>(463)</u>
Total	<u>(22,651)</u>	<u>3,626</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (the “**Implementation Regulation of the EIT Law**”), the tax rate of the PRC subsidiaries is 25% for the year ended 31 December 2024 except for the followings: (i) according to the Implementation Regulation of the EIT Law and the exemptions regulation set out in the Notice of the Ministry of Finance and State Administration of Taxation on Announcing the Scope of Primary Processing of Agricultural Products Covered by Preferential Policies on Enterprise Income Tax (Trial) (Cai Shui [2008] No. 149), and the requirements of Article 86 of the Implementation Regulation of the EIT Law, the income from subsidiaries in Mainland China engaging in primary processing of agricultural products is exempted from enterprise income tax for the year ended 31 December 2024; and (ii) pursuant to relevant regulations in respect of the Implementation Regulation of the EIT Law, the income from the Company engaging in projects of animal-husbandry and poultry feeding is exempted from enterprise income tax for the year ended 31 December 2024.

9. DIVIDENDS

No dividend was paid, declared or proposed to owners of the parent company during the year ended 31 December 2024, nor has any dividend been proposed since the end of the Reporting Period (2023: nil).

10. EARNING PER SHARE

(a) Basic earning per share

Basic earning per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the parent company by the weighted average number of outstanding ordinary shares of the Company:

	For the year ended	
	31 December	
	2024	2023
Consolidated net profit attributable to ordinary shareholders of the parent company (<i>RMB'000</i>)	280,867	160,319
Weighted average number of outstanding ordinary shares of the Company	1,567,529,192	1,488,380,527
Basic earning per share (<i>RMB</i>)	0.18	0.11
Including: Basic earning per share from continuing operations (<i>RMB</i>)	0.18	0.11
Basic earning per share from discontinued operations (<i>RMB</i>)		

Changes in the weighted average number of outstanding ordinary shares of the Company in the current period were mainly due to the changes from the issue of new shares.

(b) Diluted earning per share

Diluted earning per share are calculated by dividing the consolidated net profit attributable to ordinary shareholders of the parent company (diluted) by the weighted average number of outstanding ordinary shares of the Company (diluted):

	For the year ended	
	31 December	
	2024	2023
Consolidated net profit attributable to ordinary shareholders of the parent company (diluted) <i>(RMB'000)</i>	280,867	160,319
Weighted average number of outstanding ordinary shares of the Company (diluted)	1,572,124,024	1,501,881,527
Diluted earning per share <i>(RMB)</i>	0.18	0.11
Including: Diluted earning per share from continuing operations <i>(RMB)</i>	0.18	0.11
Diluted earning per share from discontinued operations <i>(RMB)</i>		

11. TRADE RECEIVABLE

	As at	As at
	31 December	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivable	348,691	284,825
Less: bad debt provision	(21,664)	(12,159)
Total	<u>327,027</u>	<u>272,666</u>

The Group's tradings with its customers are mainly on cash and credit. The credit period is generally 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables, and overdue balances are reviewed regularly by senior management. Concentrations of credit risk are managed by customers. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivable is non-interest-bearing.

An aged analysis of the balance of trade receivable as at the end of the Reporting Period, based on the invoice date and net of provision, is as follows:

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Within 1 month	323,472	239,508
1 to 3 months	5,135	29,305
3 months to 1 year	93	29
Over 1 year	<u>19,991</u>	<u>15,983</u>
Total	<u>348,691</u>	<u>284,825</u>

The movement in bad debt provision for trade receivable is as below:

	<i>RMB'000</i>
As at 31 December 2023	<u>12,159</u>
Provision	11,000
Recovered or reversed	<u>(1,495)</u>
As at 31 December 2024	<u><u>21,664</u></u>

During the year, bad debt provision of RMB11,000,000 was made, and bad debt provision of RMB1,495,000 was written off, recovered or reversed.

The individually impaired trade receivable relates to a customer who no longer has transactions with the Group and only a portion of the trade receivable is expected to be recovered.

12. INVENTORIES

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Raw materials	152,288	130,404
Turnover materials	36,930	32,814
Consumptive biological assets	228,095	239,087
Finished goods	19,782	4,818
Inventory goods	546,755	545,233
Less: Provision for the decline in value of inventory	<u>(14,784)</u>	<u>(5,012)</u>
Total	<u><u>969,066</u></u>	<u><u>947,344</u></u>

The Group's consumptive biological assets refer to broilers, chicks and hatchable eggs held by the Company. Consumptive biological assets are measured at fair value at the end of the year.

13. CONSTRUCTION IN PROGRESS

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Construction in progress	<u>2,700</u>	<u>6,311</u>
Total	<u><u>2,700</u></u>	<u><u>6,311</u></u>

During the Reporting Period, the Company had three new broiler farms.

14. PRODUCTIVE BIOLOGICAL ASSETS

Productive biological assets using the fair value measurement model

Items	Livestock breeding industry RMB'000
Balance at the end of last year	221,016
External procurement	64,752
Self-breeding	141,069
Disposal	(202,924)
Changes in fair value	(18,983)
Balance at the end of the period	204,930

Notes:

- (1) Self-breeding costs for breeders mainly include the costs of animal feed, labour costs, depreciation and amortisation expenses, apportionment of public expenses, etc.
- (2) Gains or losses from changes in fair value consist of two components: gains from the initial recognition of consumptive biological assets at fair value less sales costs upon harvest and gains from changes in fair value less sales costs of productive biological assets. The Company engaged an independent professional appraiser to assess the fair value of the biological assets as at the balance sheet date.

The Company uses the fair value measurement model for its productive biological assets, breeders used for the production of hatchable eggs, including breeders at the breeding and production and egg production stages.

The number of breeders owned by the Company as at the reporting date is as follows:

Type	Balance at the end of the period (thousand birds)
Breeders	<u>1,975</u>
Total	<u><u>1,975</u></u>

Generally, the fledglings of purchased parent breeder chicks are bred on the Company's breeding farms. The breeding stage and the production stage are approximately the 25th week after birth. Egg production starts from the 25th week to the 65th week. After the 65th week, breeders will be sold.

The Company is mainly subject to the following operational risks in respect of the productive biological assets:

(1) *Regulatory and environmental risks*

The Company is obliged to comply with the laws and regulations of the place of breeding. The Company has already formulated environmental policies and procedures aimed at complying with the local environmental and other laws. The management has conducted regular review to identify the environmental risks and ensure that the regulations formulated shall sufficiently manage such risks.

(2) *Climate, disease and other natural risks*

The Company's biological assets are subject to the risks of damage from climate change, disease and other natural factors. The Company has already implemented extensive procedures to monitor and mitigate such risks, including regular review, disease control, investigation and insurance.

15. TRADE PAYABLE

Trade payable is non-interest-bearing. The credit periods granted by each individual supplier are on a case-by-case basis and set out in the supplier contracts.

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Trade payable	<u>399,453</u>	<u>380,727</u>
Total	<u><u>399,453</u></u>	<u><u>380,727</u></u>

An aged analysis of the Group's trade payable as at the end of the Reporting Period, based on the invoice date, is as follows:

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Within 1 month	276,334	249,293
1 to 3 months	117,068	123,718
3 months to 1 year	3,087	5,123
Over 1 year	<u>2,964</u>	<u>2,593</u>
Total	<u><u>399,453</u></u>	<u><u>380,727</u></u>

16. BORROWINGS

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Bank loans, secured, pledged and guaranteed	893,991	761,033
Bank loans, unsecured, unpledged and unguaranteed	60,064	—
Other financial institution loans, secured, pledged and guaranteed	44,997	223,012
Total	999,052	984,045
By maturity date:		
Bank loans, secured, pledged and guaranteed		
Within 1 year	734,041	441,063
1–2 years	159,950	160,020
2–5 years	—	159,950
Bank loans, unsecured, unpledged and unguaranteed		
Within 1 year	60,064	—
1–2 years	—	—
2–5 years	—	—
Other financial institution loans, secured, pledged and guaranteed		
Within 1 year	24,994	223,012
1–2 years	15,849	—
2–5 years	4,154	—
Effective annual interest rate:		
Bank loans, secured, pledged and guaranteed	1.25%–4.50%	3.80%–6.14%
Bank loans, unsecured, unpledged and unguaranteed	4.35%–4.50%	—
Other financial institution loans, secured, pledged and guaranteed	7.59%–7.67%	5.39%–8.89%

Loan from Falcon Holding LP (Controlling Shareholder)

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Loan from controlling shareholder, secured and guaranteed	—	92,075
Loan from controlling shareholder, unsecured and unguaranteed	<u>—</u>	<u>99,158</u>
Total	<u><u>—</u></u>	<u><u>191,233</u></u>
By maturity date:		
Loan from controlling shareholder, secured and guaranteed		
Within 1 year	—	92,075
1–2 years	—	—
2–5 years	<u>—</u>	<u>—</u>
Loan from controlling shareholder, unsecured and unguaranteed		
Within 1 year	—	99,158
1–2 years	—	—
2–5 years	<u>—</u>	<u>—</u>

17. SHARE CAPITAL

	As at 31 December 2024 <i>RMB'000</i>	As at 31 December 2023 <i>RMB'000</i>
Registered, issued and fully paid 1,583,348,000 shares of RMB1.00 each	<u><u>1,583,348</u></u>	<u><u>1,582,618</u></u>

On 24 July 2024, the Company allotted and issued 730,000 new H shares within the scheme mandate limit under the share award scheme of the Company adopted on 29 August 2023 (amended and restated on 6 June 2024), and the registered, issued and fully paid share capital of the Company increased to 1,583,348,000 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Introduction

The Company is one of the largest white-feathered broiler meat exporters and the leading retail enterprises of chicken meat food in China, which was established as a joint stock limited liability company in the PRC on 17 December 2010 and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 July 2020 (stock code: 9977).

The Group is principally based in Shandong, the PRC and produces and sells processed chicken meat products and raw chicken meat products mainly from white-feathered broilers. The main products include (i) processed chicken meat products; (ii) raw chicken meat products; (iii) chicken breeds; and (iv) others. Apart from its leading domestic market position in the PRC, the Group has an established and growing export business supplying a wide range of premium quality chicken meat products to overseas customers in Japan, Malaysia, Europe, the Middle East, Korea, Mongolia and Singapore.

The Group’s white-feathered chicken meat products are halal certified by adopting Islamic slaughter rituals. The Group adopts an integrated “*poultry to plate*” model which enables it to control every stage of the poultry lifecycle, allowing the Group to effectively manage quality and cost throughout the process starting from the breeding of broilers to the distribution and sale of chicken meat products.

Business Segments

Processed Chicken Meat Products

The Group markets its processed chicken meat products under “鳳祥食品 (Fovo Foods)” (“**Fovo Foods**”), “優形 (iShape)” (“**iShape**”) and “五更爐 (Wu Genglu)” brands. Processed chicken meat products comprise cooked, semi-cooked and seasoned chicken meat products. Depending on the processing methods, these processed products are required to be chilled or frozen. The raw chicken meat the Group uses in its processed chicken meat production is either supplied by itself or procured from independent third party suppliers. The cooked chicken meat products comprise ready-to-eat chicken meat products and frozen chicken meat products, which are fully cooked and sterilised (end consumers will need to reheat the frozen cooked chicken meat products before consumption according to the instructions provided on the packaging). The semi-cooked chicken meat products are processed, chilled or frozen and boxed (end consumers will need to further process (including steaming, grilling, roasting or frying) such semi-cooked chicken meat products before consumption according to the instructions provided on the packaging). The seasoned chicken meat products include

raw chicken meat flavoured with certain ingredients or spices. The Group also offers ready-to-cook pre-prepared meal solutions, including Chinese cuisine. For the year ended 31 December 2024, the sales volume of processed chicken meat products increased by 18.4% to 152.9 million kilogram (“**kg**”) (31 December 2023: 129.1 million kg). For the year ended 31 December 2024, the revenue from sale of processed chicken meat products (after elimination of inter-segment transactions) grew by 13.1% to RMB2,955.4 million (31 December 2023: RMB2,613.7 million), representing 53.7% of the Group’s total revenue.

Raw Chicken Meat Products

The Group offers raw white-feathered chicken meat products, which include whole frozen chickens and chicken portions, such as chicken wings, chicken breast, chicken drumsticks, chicken drumettes, bone-in chicken thighs, boneless chicken fillets, chicken head, chicken feet and chicken legs. The Group’s broilers are then cut into portions according to its internal or customers’ requirements, which will be chilled or frozen depending on the product’s nature. For the year ended 31 December 2024, the sales volume of raw chicken meat products increased by 15.8% to 279.3 million kg (31 December 2023: 241.3 million kg). For the year ended 31 December 2024, the revenue from external sale of raw chicken meat products increased by 2.6% to RMB2,343.4 million (31 December 2023: RMB2,284.1 million), representing 42.6% of the Group’s total revenue.

Chicken Breeds

The Group sells some of its chicken breeds hatched from broiler eggs to other independent third parties for breeding into broilers. The sales volume of the Group’s chicken breeds is based on the average selling prices of chicken breeds, which is market-driven. The Group sells chicken breeds to local chicken farmers and other poultry business operators, who are independent third parties. For the year ended 31 December 2024, the sales volume of chicken breeds decreased by 68.7% to 10.7 million birds (31 December 2023: 34.2 million birds). For the year ended 31 December 2024, the revenue from external sale of chicken breeds dropped by 55.8% to RMB27.0 million (31 December 2023: RMB61.0 million), representing 0.5% of the Group’s total revenue.

Other Products

The Group sells other products, including the sale of broilers that cannot satisfy the Group’s quality requirements and excess broiler eggs that exceed the Group’s internal needs, by-products (such as chicken feathers, chicken blood and unused chicken organs), packing materials and other miscellaneous products. Revenue from the

external sale of other products grew by 1.8% to RMB178.9 million for the year ended 31 December 2024 (31 December 2023: RMB175.7 million), representing 3.2% of the Group's total revenue.

BUSINESS REVIEW

In 2024, the white-feathered chicken industry exhibited features of both supply-demand imbalance and structural adjustment. For domestic markets, the pressure on the industry was significant throughout the year, with supply across the entire industry chain being released gradually. The demand side was constrained by a weak recovery in domestic consumption, with the progress of recovery across various channels being slower than expected, resulting in persistently sluggish end-consumption. The widening gap between supply and demand led to a downward shift in price levels, continuous compression on the industry's profit margins, and risk of overcapacity requiring urgent discharge. At the same time, due to the impact of avian influenza, supply gaps emerged in certain international regions, allowing Chinese white-feathered chicken enterprises to seize international market share, resulting in a significant year-on-year increase in export volumes. On the raw materials front, the decline in prices of animal feed ingredients has optimised breeding costs.

Facing pressure, Fengxiang had, by focusing on the major strategic initiatives for 2024 and fully leveraging its advantages in the integrated industry-chain and value-chain business model and in multi-channel penetration, persistently consolidated the industry-leading position in the export market, strengthened the loyalty of major customers, prioritised the refined management of each section, and continued increasing its efforts to reduce costs and improve efficiency, which enabled relatively remarkable improvements in its overall operation and management and significantly reinforced the driving force for synergistic development.

During the year, the Group achieved sales revenue of RMB5,504.7 million (2023: RMB5,134.4 million), representing a year-on-year increase of 7.2%, and net profit of RMB280.9 million (2023: RMB160.3 million), representing a year-on-year increase of 75.2%.

During the Reporting Period, excluding the effect of the reversal of monetary fund receivables bad debt and the corresponding tax and interests arising from the liquidation of GMK Finance, the Group achieved the above results mainly attributable to:

- (1) an increase in sales volume of raw chicken meat products and processed chicken meat products; and
- (2) increased production efficiency and lower costs due to refined management of the Group's management and all employees.

(I) Business Highlights

1. *Export Business Continued to Lead*

In 2024, sales revenue of the export business further rose to RMB1,676.4 million (2023: RMB1,396.0 million), representing a year-on-year increase of 20.1%, and its share of the overall business increased to 30.5% (same period: 27.2%).

During the Group's provision of products and services to international customers for nearly 30 years, it has accumulated domestically-leading and international quality standard, channel resources, industry experience and brand reputation and has continuously become the largest exporter in the white-feathered chicken industry in China, driving and supporting the continuous growth of the overall business of the Group.

During the Reporting Period, the supply of white-feathered chicken meat in some countries and regions was affected by the disruption of avian influenza epidemic. The Group accurately identified and strategically seized market opportunities, efficiently optimised internal resource allocation, transformed market opportunities into unique competitive advantages and consolidated its market position. During the Reporting Period, on the basis of continuous consolidation of its original channels, the Group opened up new channels such as aviation and high-end chain channel, and expanded trader resources, making its channels more diversified and refined. In particular, the revenue from Europe increased by 19.5%, further expanding its advantage of industry leadership.

2. *Centralised Procurement Business Continued to Grow*

The centralised procurement business achieved overall sales revenue of RMB1,351.4 million (2023: RMB1,136.2 million), representing a year-on-year increase of 18.9%, and its share of the overall business achieved 24.6% (same period: 22.1%).

During the Reporting Period, the Group strengthened investment in research and development (“**R&D**”) and optimised resource allocation, drove the R&D direction with sales strategy and accelerated the pace of new product iteration, achieving rapid growth in the sales of new products. At the same time, the Group optimised the collaborative management of the supply chain and coordinated the upgrading of existing production lines, thereby improving production capacity and efficiency. In the food processing sector, the Group implemented a comprehensive whole-process cost control system, optimised the assessment system, resulting in the continuous improvement in cost

control efficiency and leading to the continuous enhancement of the comprehensive competitiveness of its centralised procurement business channel.

During the Reporting Period, the Group continued to promote the extension of the industrial chain to downstream high value-added segments, with proportion of the revenue from processed products in the total revenue increased to 53.7%, further strengthening its resistance against market cycles.

The major customer business is the supply of chicken meat products by the Group to international Western-style fast food stations in Mainland China and is a key component of our centralised procurement business.

In 2024, the major customer business achieved sales revenue of RMB1,026.2 million (2023: RMB848.8 million), representing a year-on-year increase of 20.9%.

During the Reporting Period, the Group continued to closely collaborate with major customers, deeply integrated into the supply chain system of major customers and efficiently synergised with major customers in the sections of R&D, quality control and information sharing. While optimising the processing procedures and techniques of mature products, the Group seized incremental opportunities by driving the iteration of new products of major customers with its R&D advantages, promoted the supply of all types of products, followed major customers' steps in opening shops to gain a foothold in new markets, and achieved rapid growth in both sales and revenue.

3. *Retail Business Actively Adjusted*

The retail business achieved sales revenue of RMB384.6 million (2023: RMB428.3 million), representing a year-on-year decrease of 10.2%, and its share of the overall business was 7.0% (same period: 8.3%).

Among which, iShape accounted for 59.2% of the retail business and continued to play a key role in the Group's customer-end products.

In order to increase the potential of sustainable development of customer-end products, the Group optimised its marketing activities and related expenses in 2024. As a result, revenue of products under iShape decreased, but iShape maintained its leading position in the market and the quality and sustainability of its development further increased.

In terms of the online channel, the year-on-year increase in iShape's market share on Tmall continued to outperform the platform's industry index. Meanwhile, iShape also achieved sound growth on several new platforms such as Pinduoduo and Douyin. In terms of the offline channel, iShape cooperated with large membership chain stores to customise a variety of new products and launch in domestic stores. At the same time, iShape further developed diversified channels, which helped it in forming a channel moat with multiple links to consumers.

(II) Observation of Current Trends

1. *Companies with Integrated Industry-Chain Embraces Rapid Development Opportunities as China Consumer Goods Industry has entered a New Era of High-Quality Development*

Against the backdrop of China's macroeconomic expansion from leveraged growth to a stock economy, the consumer goods industry has experienced a dividend period of growth propelled by a dual drive of volume (quantity, from nothing to something) and price (quality, from something to something premium) and has transitioned to a stage of pursuing high-quality development which corresponds to the development stages of such industry, the industry concentration has been further increased.

For white-feathered broiler industry, companies with integrated industry-chain that achieve full-chain control gain advantages in quality, cost, and efficiency. With stable supply and consistent quality assurance, they are easier to earn the trust of major customers. Additionally, their ability to extend downstream into deep processing enhances their anti-cyclical resilience, positioning them to be more competitive amid increasing industry concentration and consumption upgrade trends. Meanwhile, brand value drives more efficient sales, generates profits for partners, and earns consumer recognition. Establishing ESG compliance systems and setting up sustainability goals can help enhance industry standards and corporate image, and products are more likely to be favoured by the high-end market. In this process, the market share of high-quality companies with integrated industry chain is expected to experience steady growth.

2. *Catering Chain Integration Rate Continues to Rise, and Quality Supply Chain Companies Usher in Growth Opportunities*

Driven by the trend of catering branding, the catering chain integration rate of China is expected to further increase in 2024, marking the continuous acceleration in chain integration process within China's catering industry. As chain catering brands have an increasing demand for standardised ingredients and stable supply, white-feather chicken, with its high level of industrialisation and easy portioning and processing, has become a core ingredient for chain catering enterprises such as KFC and McDonald's, directly driving the growth of demand for processed chicken meat.

Large-scale chain catering enterprises tend to establish long-term strategic partnerships with high-quality white-feather broiler enterprises to ensure supply chain stability and food safety. High-quality supply chain companies maintain higher quality standards has automated and digitalised processing factories with the involvement of high technology and can meet large-scale and customised procurement needs of catering institutions making them more likely to secure long-term collaborations with chain catering giants. As the catering chain integration rate continues to rise, high-quality supply chain companies are set to embrace growth opportunities.

(III)Development Initiatives

1. *Development Goals:*

We will adjust to market demands, commit to upgrading the industry of chicken meat products and achieve sustainable, steady and balanced quality growth.

We will continue to consolidate balanced multi-channel development and expand production lines. We aim to maintain our industry leadership in the export business and enhance profitability and international influence. We will increase customers' loyalty, actively understand customer needs, continuously enhance product quality, launch new products, and increase our market share.

We will continue to enhance the quality of breeding and drive the growth in breeding and chicken meat processing capacity steadily, and ensure the healthy enhancement of supply chain management capabilities.

We will continue to accelerate the construction of talent pool, increase organisational vitality, accumulate organisational core competencies, and create an organisational culture that dares to meet the unknown and challenges.

2. *Development Measures:*

In 2025, the Group will adhere to the three principles of “continuous” and further enhance the Group’s operating efficiency and effectiveness, to realise steady and sustainable high quality growth and create a leading chicken meat brand of China.

(1) *“Continue to Promote the Refinement of Management and Efficiency with All Aspects Improving Steadily”:*

At the breeding end, we will continue to promote refined management in all aspects. We will further enhance the breeding ability of breeder chicken and improve the quality of chicken breeds; in the commercial breeding process, we will further improve the efficiency of broiler rearing, survival rate and feed conversion ratio; we will continuously innovate feed formulations to reduce the cost of raw materials.

At the processing end, we will continue to improve the yield of chicken meat by continuously optimising craftsmanship process and equipment; we have improved production technology to enhance the comprehensive utilisation rate of raw materials, optimised raw material allocation to increase the turnover rate of direct raw materials supply, and reduced processing costs through energy management in our plants. Meanwhile, we will continue to increase the proportion of processed chicken meat products.

At the R&D end, we proactively understand customer needs, and will continue to introduce new products, optimise the efficiency of existing products.

At the operation end, through the integration of upper and lower links of operations, we facilitate the allocation and optimisation of orders, warehousing and logistics to further improve production efficiency and optimise warehousing costs to realise the optimisation of production efficiency.

At the sales end, we continue to expand the coverage of various channels, deeply explore opportunities from new customers, follow the pace of our customers, and layout new markets and new products for major customers, so as to realise increase of business volume and revenue of various channels.

The Group will leverage digitalisation and artificial intelligence-driven endogenous evolution to empower the Group to build capabilities and a moat featuring intelligence. The Group will also make use of information technology and digital means to assist the Group in effectively tracking and analysing the indicators in the process of production and operation through big data management system, so as to provide effective assistance for the implementation of refined management.

(2) *“Continue to Deepen Channel Penetration and Expand Market Share”:*

For export business, we will continue to optimise products, services and channels of our export business, and reinforce the Group’s leading position in the export business, and continue to upgrade its services, develop markets and broaden channels so as to provide the most outstanding service and achieve diversification of channels.

For centralised procurement business, we will continue to strengthen our comprehensive business capabilities and business scale for major customers and use it as a starting point to continue to expand the centralised procurement business facing the catering industry and the convenience store system. We will further broaden the coverage of various channels, and expand business development opportunities with new channels and customers.

For retail business, we will continue to develop the business through online and offline collaboration and provide consumers with quality products including “iShape” and “Fovo Foods” through channels such as online e-commerce, offline convenience stores and boutique supermarkets.

(3) *“Continue to Accelerate the Construction of Talent Pool and Increase Organisational Vitality”:*

Talent is the primary resource for enterprise development, and competition among enterprises is ultimately a competition for talent. In order to achieve the goal of high-quality development, enterprises need to be supported by quality talent team. Therefore, in the face of a domestic market filled with complexities and uncertainties and an international environment full of changes and conflicts, the Group will take practical and effective measures to continue to accelerate the construction of talent pool, increase organisational vitality, accelerate organisational upgrading and improvement, accumulate organisational core competencies, and create an organisational culture that dares to meet the unknown and challenges.

Through the implementation of the strategy of three principles of “continuance”, the Group realised mutual promotion between the domestic market and the international market. Great synergy is created among the export business, the centralised procurement business and the retail business. With the quality and standard for serving global top food and beverage giants for years, the Group provides hundreds of millions of families and individual consumers with quality products and services, creating a leading brand of chicken meat products.

FINANCIAL REVIEW

Overall performance

For the year ended 31 December 2024, the Group experienced a slight increase in revenue as compared to that of 2023. The Group recorded a net profit of RMB280.9 million in 2024 (2023: RMB160.3 million). Adjusted net profit⁽¹⁾ increased by 23.5% year-on-year. There was an increase of 11.6% in gross profit as compared to that of 2023. The basic earning per share was RMB17.9 cents in 2024. Set out below is the detailed information on the fluctuations in the Company’s results for the year ended 31 December 2024.

Items	For the year ended 31 December		
	2024 RMB’000	2023 RMB’000	Change (%)
Total operating revenue	5,504,651	5,134,413	+7.2
Operating costs	4,844,553	4,542,949	+6.6
Selling expenses	163,969	156,268	+4.9
Administrative expenses	130,750	100,604	+30.0
R&D expenses	25,623	22,708	+12.8
Finance costs	52,133	102,981	−49.4
Other gains	3,759	6,698	−43.9
Gain on changes in fair value	(10,483)	2,869	N/A
Total profit	258,216	163,945	+57.5
Net profit	280,867	160,319	+75.2
Adjusted net profit ⁽¹⁾	198,048	160,319	+23.5
Gross profit	660,099	591,464	+11.6
Gross profit margin	12.0%	11.5%	+4.1
Net profit margin	5.1%	3.1%	+63.4

Note 1: Net profit after deducting the reversal of monetary fund receivables bad debt and the corresponding tax and interests arising from the liquidation of GMK Finance.

Revenue by products

	For the year ended 31 December		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Raw chicken meat products	2,343,404	2,284,084	+2.6
Processed chicken meat products	2,955,393	2,613,650	+13.1
Chicken breeds	26,964	61,015	-55.8
Others	178,890	175,664	+1.8
Total	<u>5,504,651</u>	<u>5,134,413</u>	<u>+7.2</u>

During the Reporting Period, the Group's sales revenue increased due to the increase in the sales volume of raw chicken meat products and processed chicken meat products of the Group.

Sales volume and average selling price by products

	For the year ended 31 December		
	2024	2023	Change
			(%)
Raw chicken meat products			
Sales volume (<i>per kg</i>)	279,313,828	241,290,399	+15.8
Average selling price (<i>RMB per kg</i>)	8.39	9.47	-11.4
Processed chicken meat products			
Sales volume (<i>per kg</i>)	152,938,912	129,121,387	+18.4
Average selling price (<i>RMB per kg</i>)	19.32	20.24	-4.5
Chicken breeds			
Sales volume (<i>per bird</i>)	10,710,204	34,244,511	-68.7
Average selling price (<i>RMB per bird</i>)	2.52	1.78	+41.3

During the Reporting Period, the Group's number of white-feathered broilers being processed experienced a year-on-year increase of 16.2%, and the production and sales volume of processed chicken meat products both experienced corresponding growth. The growth of breeding, processing and sales are related.

Revenue by geographic territory and products

	For the year ended 31 December		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
Mainland China	3,828,207	3,738,375	+2.4
Japan	411,624	412,575	-0.2
Malaysia	298,221	177,507	+68.0
Europe	826,627	691,772	+19.5
Other countries	139,972	114,184	+22.6
Total	<u>5,504,651</u>	<u>5,134,413</u>	<u>+7.2</u>

During the Reporting Period, the Company's revenue growth in the Mainland China market was driven by an increase in sales volume of processed chicken meat products. Also, in light of the competitiveness of the Group's products and the re-structuring of the international landscape, growth was achieved in sales revenue from Europe and other markets.

B2B and B2C sales revenue

The Group's B2B sales are mainly direct sales or distribution of products to domestic and international customers, primarily food service or industrial customers, fast food restaurants, and food retailers. B2C sales are primarily through online and offline platforms to the end consumers.

	For the year ended 31 December		
	2024	2023	Change
	<i>RMB'000</i>	<i>RMB'000</i>	(%)
B2B	5,120,025	4,706,065	+8.8
B2C	384,626	428,348	-10.2
Including: Online	127,848	146,856	-12.9
Offline	256,778	281,492	-8.8
Total	<u>5,504,651</u>	<u>5,134,413</u>	<u>+7.2</u>

During the Reporting Period, the Group further expanded its B2B customer base and achieved growth in sales volume. Revenue from the B2B business increased by 8.8% and accounted for 93.0% (2023: 91.7%) of the total revenue, representing an increase of 1.3%. As the Company strategically prioritised the supply of chicken meat to B2B business in 2024, which led to a reduction in the supply of chicken meat to B2C

business and a decline in its production volume, sales volume of the products under the iShape and Fovo Foods series declined, resulting in a decrease of 10.2% in revenue from the B2C business. Revenue from the B2C business reached 7.0% (2023: 8.3%) of the total revenue, representing a decrease of 1.3%.

Operating costs

During the Reporting Period, the Group's operating costs increased by 6.6% to RMB4,844.6 million (2023: RMB4,542.9 million), mainly due to an increase in the rearing volume of white-feathered broilers and an increase in the volume of chicken processed by the Group.

Administrative expenses

During the Reporting Period, the Group's administrative expenses increased by 30.0% to RMB130.7 million (2023: RMB100.6 million), mainly due to the enhancement in management efficiency of the Group and improvement in the performance and remuneration of the employees.

Selling expenses

During the Reporting Period, the Group's selling expenses increased by 4.9% to RMB164.0 million (2023: RMB156.3 million), mainly due to an increase in the sales volume of chicken meat products of the Group.

R&D expenses

During the Reporting Period, the Group's R&D expenses increased by 12.8% to RMB25.6 million (2023: RMB22.7 million), mainly due to an increase in the Group's R&D projects and the improvement in R&D personnel's performance and remuneration.

Finance costs

During the Reporting Period, the Group's finance costs decreased by 49.4% to RMB52.1 million (2023: RMB103.0 million), which was mainly due to (i) the decrease in borrowing rates; and (ii) the decrease in amount financed due to the improvement in profitability of the Group.

Total profit

During the Reporting Period, the Group's net profit increased by 75.2% to RMB280.9 million (2023: net profit of RMB160.3 million), which was mainly due to (i) an increase in sales volume of the Group's export business; and (ii) the receipt of the assets recovered after the liquidation of GMK Finance and relevant taxes thereof.

Analysis on Capital Resources

Liquidity and capital resources

The Group has funded its operations principally with cash generated from its operations, borrowings and shareholders' capital contributions. The Group's primary uses of cash in 2024 were for working capital purposes and capital expenditures for expansion and improvement of production equipment and facilities.

Capital structure

As at 31 December 2024, the registered capital of the Company was RMB1,583,348,000 and the total number of issued shares of the Company (the “**Shares**”) was 1,583,348,000 Shares, comprising 1,045,000,000 domestic Shares (“**Domestic Shares**”) and 538,348,000 H Shares (“**H Shares**”) with a nominal value of RMB1.0 each. During the Reporting Period, the Group allotted and issued 730,000 new H Shares under the share award scheme adopted by the Company on 29 August 2023 (amended and restated on 6 June 2024).

As at 31 December 2024, the total borrowings of the Group amounted to RMB999.1 million, representing a decrease of 15.0% as compared to that as at 31 December 2023. The decrease was mainly attributable to: (i) repayment of certain long-term borrowings that has fallen due; and (ii) less borrowing needs as a result of the Company's improved profitability.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity, and balance sheet ratio, which is total borrowings divided by total assets. The gearing ratio and balance sheet ratio as at 31 December 2024 was 30.2% (31 December 2023: 38.7%) and 36.8% (31 December 2023: 40.0%), respectively.

Contingent liabilities and pledge of assets

The Group's bank borrowings as at 31 December 2024 were secured by (i) mortgages of the Group's lands situated in the PRC with aggregate net carrying amount of RMB76.7 million (31 December 2023: RMB62.4 million); (ii) pledge of the Group's bank deposits of RMB25.1 million (31 December 2023: RMB8.6 million); (iii) pledge of certain of the Group's property, plant and equipment with aggregate net carrying amount of RMB1,508.1 million (31 December 2023: RMB886.10 million); and (iv) pledge of the Group's inventories with aggregate net carrying amount of RMB128.2 million (31 December 2023: RMB241.4 million).

As at 31 December 2024, the Group did not have any material contingent liabilities.

Human Resources

As at 31 December 2024, the Group had 6,473 employees who were directly employed by the Group, of which 6,469 employees were employed in the PRC and four employees were located in Japan. The remuneration packages for the employees include salary, bonuses and allowances. As required by the PRC regulations, the Group (i) participates in social insurance schemes operated by the relevant local government authorities, and (ii) maintains mandatory pension contribution plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. The Group also provides continuing education and training programmes to its employees to improve their skills and develop their potential. The Company currently has two share award schemes adopted on 10 December 2021 (as amended on 6 June 2024) (the “**2021 SAS**”) and 29 August 2023 (as amended on 6 June 2024) (the “**2023 SAS**”), respectively. The employee participants of the 2021 SAS shall only include connected persons of the Company (as defined under the Listing Rules) while the employee participants of the 2023 SAS shall exclude such connected persons.

BUSINESS OUTLOOK

1. Challenges and Risks:

- (1) due to the impact of intensifying industry competition and weak consumption recovery, the prices of products remained low;
- (2) continuous international trade disputes and frequent international conflicts adversely affect the export business.

2. Opportunities and Potential Development:

- (1) the Central Economic Work Conference has put “vigorously boosting consumption and comprehensively expanding domestic demand” as the primary task of economic work in 2025. Meanwhile, the dual expansion of macro policies will open up space for the recovery of the consumer market;
- (2) structural opportunities in the industry will provide sustained growth impetus for enterprises with diversified channels;
- (3) cost-effectiveness of white-feather broiler protein will continue to be a substitute for other animal proteins;
- (4) application of digital intelligence and artificial intelligence in production will broaden room for high-quality enterprises to reduce costs and increase efficiency.

3. Quality Growth Strategies at Current Stage:

- (1) refine management to further enhance management efficiency, thereby intensively reducing costs and increasing efficiency;
- (2) deepen channel penetration to increase customers' loyalty, carry out in-depth cooperation with major customers in various industrial lines, and further increase market share in major customers;
- (3) continue to attract outstanding talents to join us, and further stabilise and optimise our operation and management team through continuous innovation in mechanisms and step-by-step implementation of medium-and long-term incentives;
- (4) explore new development models, match the increase in market demand through flexible expansion of production capacity, and consolidate the competitive position in the industry;
- (5) explore the application of intelligence in breeding, production, management, etc., to help the enterprise to reduce costs and increase efficiency.

OTHER EVENTS

Annual General Meeting

The Company is intended to hold its annual general meeting for the year 2024 on Friday, 23 May 2025. The notice of annual general meeting will be issued to the shareholders of the Company (the “**Shareholders**”) and published on the respective websites of the Stock Exchange and the Company in due course.

Final Dividend

The Board of Directors has resolved not to declare any final dividend for the year ended 31 December 2024 (2023: nil).

Proposed Initial Public Offering of A Shares

On 29 January 2021, the Board of Directors has resolved and approved to commence the relevant preparation related to the proposed initial public offering of A shares of the Company. The Company has engaged Huatai United Securities Co., Ltd. as the pre-listing tutoring institution and submitted the registration application for pre-listing tutoring with the Shandong Supervisory Commission (山東證監局) of the China Securities Regulatory Commission (中國證券監督管理委員會) on 29 January 2021. As at the date of this annual results announcement, the Company is in the stage of under pre-listing tutoring procedure and has not commenced filing the application for the proposed initial public offering of A shares.

Amendments to the Share Award Schemes

The Company adopted two share award schemes, being the 2021 SAS and 2023 SAS on 10 December 2021 and 29 August 2023, respectively (collectively, the “**Share Schemes**”). The Company proposed to amend such Share Schemes (including allowing the amended Share Schemes to involve the grant of awarded shares by new H Shares and/or existing H Shares in issue, to adopt the scheme mandate limit and approval procedures, etc.). The amended Share Schemes will constitute share schemes involving issue of new shares by the Company. Therefore, pursuant to Chapter 17 of the Listing Rules, the proposed amendments to the Share Schemes and the scheme mandate limit have been approved by the Shareholders of the Company at annual general meeting.

On 24 July 2024, awards under the 2021 SAS granted to certain non-connected grantees were cancelled and substituted by new grant of awards under the 2023 SAS to such non-connected grantees, which were satisfied partly by issuance of 730,000 new H Shares within the scheme mandate limit, and partly by existing H Shares in issue under the 2023 SAS. The trustee holds such H Shares on behalf of the employee participants under the 2023 SAS.

Public Float and Suspension of Trading in the H Shares

Upon completion of the acquisition of the Domestic Shares by Falcon Holding LP (“**Falcon**”) on 20 December 2022, Falcon was required to make unconditional mandatory general offers in cash for all the issued Domestic Shares and H Shares not already owned or agreed to be acquired by Falcon and its concert parties (the “**Offers**”) in accordance with the Code on Takeovers and Mergers (the “**Takeovers Code**”) issued by the Securities and Futures Commission of Hong Kong. Falcon also proposed to delist the Company from the Stock Exchange. On 28 December 2022, Falcon and the Company jointly despatched the composite document comprising (including without limitation) the offer document from Falcon, the response document from the Board of Directors, details of the Offers and the delisting resolution to the Shareholders in accordance with the requirements of the Takeovers Code.

As the delisting resolution was not approved at the relevant general meetings of the Company held on 18 January 2023, and the public float of the Company fell below 25% following the close of the Offers, the minimum public float requirement as set out in Rule 8.08(1)(a) of the Listing Rules was not satisfied. Pursuant to Note 1 to Rule 8.08(1)(b) of the Listing Rules, at the request of the Company, trading in the H Shares has been suspended from 9:00 a.m. on 2 February 2023 since the percentage of public float fell below 15% following the close of the Offers. On 25 April 2023, the Company received the guidance for the resumption of trading issued by the Stock Exchange (the “**Resumption Guidance**”), which includes, among others, restoring the minimum public float required under Rule 8.08(1)(a) of the Listing Rules.

In order to satisfy the Resumption Guidance, the Company had taken appropriate steps to restore its public float and resume the trading in H Shares as soon as practicable. The Company completed subscriptions of a total 182,618,000 H Shares with two subscribers on 11 September 2023. Falcon further completed sales of a total 80,520,000 H Shares with two purchasers on 15 September 2023 and 3 October 2023, respectively. Subsequently on 24 July 2024, the Company issued and allotted 730,000 new H Shares under the 2023 SAS to satisfy part of the awards granted to the non-connected grantees and therefore complied with the requirements of Rule 8.24 of the Listing Rules and was counted towards the public float of the Company.

Upon completion of the above steps, the Company’s public float restored to over 25% and has satisfied the minimum public float requirement as set out in Rule 8.08(1)(a) of the Listing Rules since then. Given that the Company fulfilled the Resumption Guidance, the trading in H Shares of the Company has been resumed with effect from 9:00 a.m. on 31 July 2024. For details, please refer to the announcement of the Company dated 30 July 2024.

Amendments to the Articles of Association

On 29 December 2023, the amendments to the Company Law of the People’s Republic of China (《中華人民共和國公司法》) (the “**PRC Company Law**”) were adopted and took effect on 1 July 2024. The new PRC Company Law makes changes to the current PRC Company Law, including optimisation of corporate governance, enhancement in protection for minority shareholders, and strengthening of responsibilities and fiduciary duties of controlling shareholders, directors, supervisors and senior management members. Listed issuers are required to make any necessary changes to their constitutional documents in accordance with the latest amendments to the PRC Company Law before the effective date.

Meanwhile, given that the Company’s daily business operation will involve cargo transportation, the Company is required to include (i) road transportation of goods (excluding dangerous goods) and (ii) motor vehicle repair and maintenance in its scope of business in accordance with the Regulations of the People’s Republic of China on

Road Transportation (《中華人民共和國道路運輸條例》). As a result, the scope of business as stated in the articles of association of the Company (the “**Articles of Association**”) shall be amended and such amendments are subject to the review by the company registration authority.

Based on the foregoing, the Company proposed to amend the Articles of Association in order to (i) reflect the change in business scope of the Company; (ii) reflect the latest amendments in the PRC Company Law in the Articles of Association; and (iii) make other consequential, tidy-up and housekeeping amendments (the “**Articles Amendments**”).

In view of the Articles Amendments, the Board of Directors and the Board of Supervisors proposed to amend the rules of procedure for the general meeting, the rules of procedure for the Board of Directors and the rules of procedure for the Board of Supervisors (the “**Procedural Rules Amendments**”).

The resolutions in relation to the Articles Amendments and the Procedural Rules Amendments were approved by the Shareholders at the annual general meeting of the Company on 5 June 2024.

Save as disclosed above, during the Reporting Period and up to the date of this annual results announcement, there had been no material change to the Articles of Association. The Articles of Association is available on the websites of the Company and the Stock Exchange.

Continuing Connected Transaction

As the loan framework agreement (the “**Loan Framework Agreement**”) entered into between the Company and Falcon on 28 January 2023 expired on 27 January 2024 and after considering the future needs of the Group within the PRC, the Company and Falcon entered into the new loan framework agreement (the “**New Loan Framework Agreement**”), pursuant to which Falcon will provide a revolving loan facility to the Group for a term of one year commencing from 28 January 2024 and ending on 27 January 2025. The proposed annual caps, being the maximum daily balance of the loans (including interests accrued) for the transactions contemplated under the New Loan Framework Agreement for the years ending 31 December 2024 and 31 December 2025 is USD13,591,000 and USD15,000,000 (the annual cap for the year ending 31 December 2025 is set up to 27 January 2025, being the end date of the term of the New Loan Framework Agreement), respectively. Falcon is the controlling Shareholder directly holding over 70% interest in the Company’s total issued share capital. Accordingly, Falcon is a connected person of the Company and as a result, the transactions contemplated under the Loan Framework Agreement and the New Loan Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Company has complied with the

applicable disclosure requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated 29 January 2023 and 26 January 2024.

Save as disclosed above, the Group had not entered into any connected transaction during the Reporting Period and up to the date of this annual results announcement, which is required to be disclosed under Chapter 14A of the Listing Rules.

Deposits with GMK Finance

In March 2022, the Company was notified by GMK Holdings Group Co., Ltd., the former controlling shareholder of the Company ("**GMK Holdings**") that its subsidiaries had overdue debts. Among such subsidiaries, GMK Finance was involved in overdue repayment disputes, pursuant to which civil complaints were being filed against it by the plaintiffs and the guarantors for the debts concerned in those cases, GMK Holdings and/or certain of its subsidiaries were also named as defendants. The judicial restructuring was then filed against Yanggu Xiangguang Copper Co., Ltd. ("**Xiangguang Copper**"), a subsidiary of GMK Holdings with the Liaocheng Intermediate People's Court, Shandong Province, PRC, by a creditor on the ground that Xiangguang Copper was unable to repay the debts falling due. The People's Court of Yaanggu County, Shandong Province, PRC, as appointed to hear the case, subsequently accepted the application of judicial restructuring of 19 companies, including GMK Holdings, Shandong Fengxiang (Group) Co., Ltd. and Shandong Fengxiang Investment Co., Ltd. (each a former controlling shareholder) and Xiangguang Copper (but for the avoidance of doubt, does not include the Company). The first creditors' meeting was held on 15 March 2024 at Yanggu County People's Court.

Pursuant to the court order, the Xiangguang Copper No. 1 Reorganisation Services Trust* (祥光銅業1號重整服務信託) ("**Trust 1**") and Xiangguang Copper No. 2 Reorganisation Services Trust* (祥光銅業2號重整服務信託) ("**Trust 2**") serve as management platforms for the assets and shareholding interests of the above said companies, respectively, the corresponding trust units (the "**Trust Units**") of which, shall be used as liquidation distribution to the creditors. Both trusts are jointly held by Kunlun Trust Co., Ltd.* (昆侖信託有限責任公司) and Yunnan International Trust Co. Ltd* (雲南國際信託有限公司).

The Company was informed by the administrator that according to the court order, the Company would be entitled to receive the relevant liquidation assets of (i) cash amounting to RMB27,786,153.44, (ii) 679,686,612.67 Trust Units under Trust 1, with corresponding value of its underlying assets being RMB138,246,740.07; and (iii) 679,686,612.67 Trust Units under Trust 2, with corresponding value of its shareholding interests held being RMB27,458,480.71, and the Trust Units under Trust 2 were

realised. There is no guarantee that the remaining Trust Units can be realised due to the uncertainty of the liquidity and market value of the Trust Units. For details, please refer to the Company's announcements dated 15 March 2024 and 19 December 2024.

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

Save as disclosed in this annual results announcement, the Group had neither other significant investments nor significant acquisitions and disposals of relevant subsidiaries, associates and joint ventures for the year ended 31 December 2024.

Subsequent Event

Save as disclosed in this annual results announcement, the Board of Directors is not aware of any significant event affecting the Group occurred since the end of the Reporting Period.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

During the Reporting Period, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules. The Company will continue to review and monitor its corporate governance practice to ensure the compliance of the CG Code.

Directors' and Supervisors' 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 a code of conduct regarding securities transactions by the Directors and Supervisors. The Company has made specific enquiries with each Director and each Supervisor, and they confirmed that they had complied with all required standards under the Model Code during the Reporting Period.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including treasury shares).

Review of Annual Results

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules with written terms of reference in accordance with code provision D.3.3 of the CG Code. The Audit Committee comprises two independent non-executive Directors, namely, Mr. Chung Wai Man and Ms. Wang Anyi and a non-executive Director, namely, Mr. Lu Wei.

The Audit Committee is chaired by Mr. Chung Wai Man. The Audit Committee has reviewed together with the management and the Board of Directors the accounting principles and policies adopted by the Company, the audited annual results and the audited consolidated financial statements of the Company for the year ended 31 December 2024. The Audit Committee also recommended and submitted the annual results and the consolidated financial statements for the year ended 31 December 2024 to the Board of Directors for approval.

Auditor's Scope of Work for the Annual Results Announcement

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of 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 Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with CASBE and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

Arrangement for Issuing Corporate Communications Electronically

The Company has adopted an arrangement for the electronic dissemination of corporate communications. Please note that all corporate communications (including annual reports) in English and Chinese are only available on the Company's website (<https://www.fengxiang.com>) and the Stock Exchange website (www.hkexnews.hk), with no printed versions provided. Shareholders should proactively check the Company's website and the Stock Exchange's website to stay informed about the release of corporate communications. To ensure timely receipt of Actionable Corporate Communications (as defined in the Listing Rules), the Company recommends that shareholders provide their email addresses to the Company. The method for providing email addresses is detailed in the shareholder notification letter and reply slip published on the Company's website. If shareholders wish to receive the printed version of corporate communications, please complete and return the reply slip in accordance with the instructions contained in the shareholder notification letter and reply slip.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.fengxiang.com) and the Stock Exchange (www.hkexnews.com.hk), respectively, and the annual report containing all the information required by the Listing Rules will be issued to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

TRADING HALT

Trading in the H shares of the Company on the Stock Exchange has been halted with effect from 9:00 a.m. on 17 March 2025 pending the release of an announcement pursuant to the Takeovers Code which contains inside information of the Company.

By order of the Board of Directors
Shandong Fengxiang Co., Ltd.
Zhu Lingjie
Chairman

Shandong, PRC, 28 March 2025

As at the date of this announcement, the Board of Directors comprises Mr. Xiao Dongsheng and Mr. Shi Lei as executive Directors; Mr. Qiu Zhongwei, Mr. Lu Wei, Mr. Zhu Lingjie and Ms. Zhou Ruijia as non-executive Directors; and Ms. Wang Anyi, Ms. Zhao Yinglin and Mr. Chung Wai Man as independent non-executive Directors.

Forward-looking Statement: *The above discussion and analysis contains certain forward-looking statements that reflect the Group's current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by the Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Group believes are appropriate under the circumstances. However, whether the actual outcome and developments will meet the Group's expectations and predictions depends on a number of risks and uncertainties over which the Group does not have control.*

* *For identification purpose only*