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GUOQUAN FOOD (SHANGHAI) CO., LTD.

鍋圈食品(上海)股份有限公司

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

(Stock Code: 2517)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS OF ANNUAL RESULTS

- The revenue for the year ended 31 December 2024 was RMB6,469.8 million, representing a year-on-year increase of 6.2%.
- The gross profit for the year ended 31 December 2024 was RMB1,416.8 million, representing a year-on-year increase of 4.9%. The gross profit margin for the year ended 31 December 2024 was 21.9%, compared to 22.2% in the same period of last year.
- The net profit for the year ended 31 December 2024 was RMB241.2 million, representing a year-on-year decrease of 8.4%.
- The core operating profit (Non-IFRS measure)^{Note} for the year ended 31 December 2024 was RMB310.8 million, representing a year-on-year increase of 3.1%.
- The basic and diluted earnings per share for the year ended 31 December 2024 was RMB0.0841, representing a year-on-year decrease of 5.9%.
- The Board has resolved to recommend a final dividend of RMB0.0746 per share for the year ended 31 December 2024 (2023: RMB0.0521).

Note:

Core operating profit is defined as operating profit adjusted for impact of items that affect comparability. Items that affect comparability include: (i) listing expenses; and (ii) gains or losses on fair value changes on unlisted convertible redeemable preferred shares. Core operating profit is not International Financial Reporting Standards measure. For details, please refer to the section headed "Management Discussion and Analysis – Non-IFRS Measures" in this announcement.

The Board of Directors (the “**Board**”) of Guoquan Food (Shanghai) Co., Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the corresponding period in 2023. These results have been reviewed by the Audit Committee of the Board.

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

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance

Omni-channel sales network

The Group has established the largest one-stop home meal products retail store network in China. The Group’s extensive nationwide store network with wide geographic coverage contributed to enhancing brand awareness and was also conducive to generating consumer insights and thereby improving the Group’s responses to the rapidly changing market trends across different regions. The density of store network improved the efficiency of logistics and transportation. Moreover, the Group’s retail stores provided consumers with both online and offline shopping options, achieving highly extensive consumer reach.

In 2024, consumers became more rational and cautious about their daily consumption. The Group has proactively grasped changes in consumption trend, improved stores’ capabilities of operation and management by optimizing product portfolio, and embraced multi-faceted initiatives such online leads, which formed a holistic and instant retail store network. The number of stores increased from 9,660 as at 30 June 2024 to 10,150 as at 31 December 2024, with its retail store network covering 31 provinces, autonomous regions and municipalities.

The table below sets forth the total number of franchised stores and self-operated stores of the Group as of 31 December 2024.

	As of 31 December			
	2024		2023	
	Number of stores	%	Number of stores	%
Franchised stores	10,135	99.9	10,300	99.9
Self-operated stores	15	0.1	7	0.1
Total	10,150	100.0	10,307	100.0

Meanwhile, the Group has also actively developed innovative stores, renovated and upgraded existing stores, such as developing stores for farmer’s market and upgraded stores for township-level market. Based on in-depth understanding of markets in lower-tier cities, we also have achieved outstanding performance on expansion of stores in township-level market. There were 287 net new township-level stores for the year of 2024. The new township-level stores differs in product structure, store display and other aspects from the standard stores, and better meet the needs of consumers from township-level markets.

The Group achieved a total revenue of RMB6,469.8 million in 2024, representing a year-on-year increase of 6.2%. The table below sets forth a breakdown of the Group's product sales revenue contributions by channel during the Reporting Period:

	Year ended 31 December			
	2024		2023	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Sales of meal products and related products				
Sales to franchisees	5,445,007	86.3	5,365,567	90.3
Other sales channels ⁽¹⁾	867,239	13.7	574,951	9.7
Total	6,312,246	100	5,940,518	100

Note:

- (1) Other sales channels primarily include (i) sales to enterprise customers, including food wholesalers, supermarkets, restaurants and other enterprises; and (ii) direct sales to end consumers.

The franchise business model contributed significantly to the growths of Group's revenue, market share and brand recognition. The Group believes the effective and systematic management of our franchisees is critical to the success of our business. The Group considers each franchised store to be a conveyance of our business philosophy and brand image. Therefore, the Group values each of our franchisees beyond merely as a business partner, but also as a teammate who was committed to our business philosophy and motivated to grow our brand and store network with us. The Group strives to continuously support and empower our franchisees in store operations and business development and provides comprehensive training for franchisees and their employees to help our franchised stores succeed.

The franchised stores are managed by the Group's regional management teams. The regional management teams provide support and guidance for franchisees with respect to market development and store operating strategies, among others. With the support of the Group's headquarters and management by our regional teams, the Group is able to empower and serve franchisees more effectively to drive their sales growth and, in turn, our revenue.

To empower franchisees and facilitate their sales growth as well as further expand consumer reach and offer more flexible shopping experience, the Group has also developed multiple online sales networks, including the Group's Guoquan APP, WeChat mini-program, third-party food delivery platforms as well as on popular social commerce platforms such as Douyin to promote interplay between offline stores and online leads. In 2024, the Group continued to conduct consumer reach for Guoquan's products on its multi-level Douyin accounts, gaining a total exposure of over 6.21 billion times throughout the year, among which, the "RMB99 Beef Tripe Freedom Hotpot Set" (99元毛肚自由火鍋套餐) and other beef tripe hotpot sets successively launched since late May were well received by consumers with accumulated sales exceeding RMB500 million in 2024. Through the spread of popular social media commerce platforms, the Group interacted more and had wider connection with consumers.

Membership subscription

The Group's membership program built close online and offline connections and engagement with consumers and fostered consumer loyalty. In the second half of 2024, the Group has thoroughly upgraded the membership system and increased member benefits by making adjustments to tiered membership system, so as to further promote the membership growth and stickiness. As at 31 December 2024, the number of the Group's registered members reached approximately 41.3 million, representing a year-on-year increase of 48.2%. The Group continued to enhance and develop the prepaid cards program. The value stored in prepaid cards for the year ended 31 December 2024 was approximately RMB0.99 billion, representing a year-on-year increase of 36.6%.

Meal products brand and product portfolio

The Group is committed to enhancing the efficiency of at-home food preparation and strives to be a community kitchen around consumers. Our home meal products that are mainly ready-to-eat, ready-to-heat, ready-to-cook products or prepared ingredients provide consumers with an efficient and easy way to prepare a meal at home, regardless of their levels of cooking skills. Meal products offered by the Group aim to strike the balance of nutrition, taste, hygiene and efficiency. The Group's product offerings conveniently meet consumers' diverse dining demands in a one-stop shop manner, encompassing hotpot soup base, condiments, meatballs, shrimp paste, meat, vegetables, beverages, pots and grills, etc.

In 2024, the Group has continuously implemented the philosophy of providing consumers with "tasty, convenient and value-for-money" meal products. We successively launched "RMB99 Beef Tripe Freedom Hotpot Set", "RMB99 Sauerkraut Fish Freedom Hotpot Set" and other product portfolio with high quality-price ratio that is popular with consumers. In addition, the Group constantly expands product portfolio, launches new products and upgrades existing ones from time to time to satisfy changing demands and preferences of consumers. For example, the Group established a total of 412 new SKUs of hotpot and barbecue products in 2024.

Efficient supply chain management and digital and intelligent operation

We operated under a streamlined and highly efficient supply chain from production facilities to central warehouses and further to retail stores, eliminating redundant intermediate parties in the supply chain, thereby optimizing cost control to offer affordable products to franchisees and consumers. Partnering with warehousing and logistics providers, we achieved next day delivery from central warehouses to retail stores for most orders.

In particular, the digitalization of the Group's supply chain comprising production, procurement, warehousing, and logistics allowed us to monitor the supply and demand dynamics from procurement-end to store-end and closely monitor our inventory level, enabling highly efficient management of our entire supply chain. By tracking and processing orders received from stores across the country through our supply chain system empowered by digitalisation, the Group was able to communicate with our upstream suppliers in advance to ensure timely availability of products for all of our stores. As at 31 December 2024, the Group achieved swift circulation of products, in cooperation with warehousing and logistics providers, through digital stock and barcode management leveraging on 18 digitalized central warehouses across China.

Adopting a one-product-one-factory model, the Group has strategically acquired food ingredient production capabilities to achieve stronger control over the production and supply of our staple products. The Group has created industrial layout of essential ingredients of hotpot at all levels. As at 31 December 2024, the Group had six food ingredient production plants, namely, Heyi Plant (和一工廠) for the production of our beef products, Wanlai Wanqu Plant (丸來丸去工廠) for the production of meatballs, Chengming Plant (澄明工廠) for the production of our hotpot soup base products, Huanhuan Plant (歡歡工廠) for the production of aquatic products, Daixiaji (逮蝦記) for the production of paste products and Taijiang Plant (台江工廠) for the production of sour soup base products. The Group has continuously enhanced its bargaining power in upstream procurement, increasingly realized economies of scale of production and continuously optimized production costs by development and deployment of industry.

Meanwhile, the Group has established long-term and stable partnership with major upstream product suppliers, which is helpful to boost production efficiency of the product and quickly launch more product portfolio. The Group's generation of a large demand from consumers across China gave rise to large scale procurement needs, which has given the Group the ability to negotiate with suppliers from a position of strength, allowing us to secure high quality, consistent products at competitive costs. The Group's long-term stable relationship with suppliers and control over the production of our staple products further ensured the supply of high-quality food which is tasty, convenient and value-for-money to consumers.

BUSINESS OUTLOOK

Expand and deepen the network and continued expansion of low tier markets

The Group plans to expand the multi-level sales network, improve market penetration, and promote new regions' network expansion via new store types of stores for town-level and county-level markets, covering more towns and counties. Meantime, the Group will continue to launch products and services to meet consumers' demand from low-tier markets, in order to capture more market share in low-tier markets. Focused on long-term vision of "China's good neighbor" and continuous optimization of store operation and management, the Group will pay attention to between major and minor issues to improve the service of store so as to better serve customer's shopping experience.

The Group will continue to cultivate more entrepreneurial franchisees by encouraging existing franchisees to open more franchised stores and develop their regionally integrated operations as a long-term business. The Group also plans to propel franchisees' sales growth and cultivate entrepreneurial franchisees by continuously adding more product portfolio with "quality-price ratio", and developing more online sales channels. Going forward, the Group will continue to optimize its internal training system and strengthen franchisees and store manager organizations to facilitate the sharing of management experience amongst them, thereby continuously improving store performance.

Strengthen the membership ecosystem construction to empower brand reach by IP

The Group will continue to extend the channels for expanding customers, encourage members to introduce new customers, improve public and private traffic, and reach consumers through popular TV commercials, offline advertising and social media and e-commerce platforms, such as Douyin, so as to expand the Group's member groups. The Group will continue to optimize the membership benefits program by enriching the points redemption portal and upgrading the member's rights system. The Group will gradually create and distribute various contents with high quality in the form of image text and videos focused on our brand's cartoon image of IP "Guobao" (鍋寶) to emotionally connect with consumers, so as to better convey our brand value concept. The Group will enhance the understanding of consumer behaviours to provide the most suitable marketing, services and products, so as to raise engagement velocity.

Strengthen its position as community central kitchen by increasing real-time retails and intelligent retails

The Group will continue to dive into hotpot, camping and home barbecue consumption scenarios, and lay out new product matrix and consumption scenarios by focusing on home meal for consumers, such as Chinese cuisine, western cuisine, beverages and midnight snack, to provide thousands of households in the community with home meal solutions for four meals a day, thereby building it into a community kitchen for billions of households.

The Group will also continue to innovate its sales channels, and develop the business model of “one shop, one store and one warehouse” by vigorously developing various online sales channels such as Douyin and Guoquan WeChat mini-program, so as to provide unlimited shopping experience, expand the product portfolio and remove the restriction of retail space of brick-and-mortar stores. Once consumers place an online order, the products will be delivered to the nearest offline store for consumers to pick up. This empowers online-to-offline integration and facilitates the additional functionality of our offline stores as satellite warehouses, driving up the sales of both our online and offline stores, which in turn will boost the growth in revenue.

Depending on the Internet of Things, big data and AI technology, the Group will upgrade from instant stores to intelligent and unmanned retail to further extend the opening hours, to serve for more consumption scenarios as to home meals, building 24/7 intelligent retail network.

Expand its presence in the industry, consolidate supply chain system and build up core competencies of products

The Group will continue to adopt its one-product-one-factory strategy to achieve economies of scale and increase its cost advantage. The Group plans to expand its presence in the industry through investment or collaboration and further integrate its upstream resources and source quality food ingredients by joining hands with selective and qualified domestic and overseas food suppliers who have market potential and can achieve synergy with the Group, developing a strong industrial supply chain.

Meanwhile, the Group will continue to increase R&D investment and enhance the Group’s R&D and innovative capabilities through continuous cooperation with upstream suppliers. The Group intends to optimize, upgrade its existing products, create tasty, convenient and value-for-money specialties, and offer more product portfolios with high quality-price ratio by continually adjusting its production processes according to consumer feedback. Leveraging on its strong capability in supply chain, the Group intends to continue to explore sales channels for corporate customers and strengthen the regional supply chain of home meal products, to cater to the needs of consumers.

Explore overseas markets to deliver the good taste of China

The Group plans to initially explore overseas regional markets by prudently evaluating and selecting suitable locations, such as Hong Kong, Southeast Asia and other regions. The Group will try to arrange the sales of its products, export its supply chain capability to abroad, and deliver the good taste of China, so as to continuously improve its global recognition and explore overseas sales growth points.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the consolidated financial results of the Group for the year ended 31 December 2024 and comparative figures for the year ended 31 December 2023:

	Year ended 31 December	
	2024	2023
	<i>RMB '000</i>	<i>RMB '000</i>
Revenue	6,469,810	6,094,104
Cost of sales	<u>(5,053,058)</u>	<u>(4,743,163)</u>
Gross profit	1,416,752	1,350,941
Other income and gains, net	26,134	104,915
Selling and distribution expenses	(664,194)	(578,820)
Administrative expenses	(454,282)	(497,235)
Other expenses	(1,240)	(8,652)
Finance costs	(4,421)	(5,432)
Impairment losses on financial assets, net of reversal	<u>797</u>	<u>(2,292)</u>
Profit before tax	319,546	363,425
Income tax expense	<u>(78,308)</u>	<u>(100,023)</u>
Profit for the year	<u>241,238</u>	<u>263,402</u>
Profit attributable to		
Owners of the parent	230,558	239,636
Non-controlling interests	<u>10,680</u>	<u>23,766</u>

Revenue

The table below sets forth a breakdown of the Group's revenue by nature and channel for the year ended 31 December 2023 and 2024, in absolute amounts and as percentages of total revenue:

	Year ended 31 December			
	2024		2023	
	<i>RMB '000</i>	%	<i>RMB '000</i>	%
Sales of meal products and related products	6,312,246	97.6	5,940,518	97.5
Sales to franchisees	5,445,007	84.2	5,365,567	88.1
Other sales channels	867,239	13.4	574,951	9.4
Service income	<u>157,564</u>	<u>2.4</u>	<u>153,586</u>	<u>2.5</u>
Total	<u>6,469,810</u>	<u>100.0</u>	<u>6,094,104</u>	<u>100.0</u>

The Group's total revenue increased by approximately 6.2% from RMB6,094.1 million for the year ended 31 December 2023 to RMB6,469.8 million for the year ended 31 December 2024.

Revenue from sales of meal products and related products accounted for the majority of the Group's total revenue, representing 97.5% and 97.6% of the total revenue in 2023 and 2024, respectively. Such revenue increased by approximately 6.3% from RMB5,940.5 million for the year ended 31 December 2023 to RMB6,312.2 million for the year ended 31 December 2024, mainly due to that the Group launched a number of meal suites for the year, which catered the favour of extensive customers impressively, coupled with an increase in sales to corporate customers during the year. Service income increased by approximately 2.6% from RMB153.6 million for the year ended 31 December 2023 to RMB157.6 million for the year ended 31 December 2024, mainly due to the number of franchised stores in 2024 was more than that in 2023.

Cost of Sales

Cost of sales increased by approximately 6.5% from RMB4,743.2 million for the year ended 31 December 2023 to RMB5,053.1 million for the year ended 31 December 2024, mainly due to the increase in the cost of inventories sold as a result of the increase in product sales volume.

Gross Profit and Gross Profit Margin

Gross profit increased by 4.9% from RMB1,350.9 million for the year ended 31 December 2023 to RMB1,416.8 million for the year ended 31 December 2024, the gross profit margin slightly decreased from 22.2% for the year ended 31 December 2023 to 21.9% for the year ended 31 December 2024, mainly due to that the Group launched a number of new meal suites, which catered the favour of extensive customers impressively, such as "RMB99 Beef Tripe Freedom Hotpot Set" (99元毛肚自由火鍋套餐) launched in late May, resulting in lower gross profit margin of the Group.

Other Income and Gains, Net

Other income and gains, net, decreased by 75.1% from RMB104.9 million for the year ended 31 December 2023 to RMB26.1 million for the year ended 31 December 2024, mainly due to the change from gains for unrealized fair value gains on unlisted convertible redeemable preferred shares (i.e. the investment in Dmall Inc.) at fair value through profit or loss, to losses before listing, partially offset by the increase in interest income and foreign exchange gains.

Selling and Distribution Expenses

Selling and distribution expenses increased by 14.8% from RMB578.8 million for the year ended 31 December 2023 to RMB664.2 million for the year ended 31 December 2024. This was mainly due to the Group's increased investment in brand building, as well as the construction of sales channels such as Douyin, live-streaming e-commerce, and new store formats during the year.

Administrative Expenses

Administrative expenses decreased by 8.6% from RMB497.2 million for the year ended 31 December 2023 to RMB454.3 million for the year ended 31 December 2024, mainly due to the absence of the Group's listing expenses during the year.

Profit Before Tax

As a result of the foregoing, the Group recorded a profit before income tax of RMB319.5 million for the year ended 31 December 2024, representing a decrease of approximately 12.1% from RMB363.4 million for the year ended 31 December 2023.

Income Tax Expense

Income tax expense decreased by approximately 21.7% from RMB100.0 million for the year ended 31 December 2023 to RMB78.3 million for the year ended 31 December 2024, mainly due to the decrease in the Group's taxable income.

Profit for the Year

As a result of the foregoing, the Group's net profit decreased by approximately 8.4% from RMB263.4 million for the year ended 31 December 2023 to RMB241.2 million for the year ended 31 December 2024. The Group's net profit margin decreased from 4.3% for the year ended 31 December 2023 to 3.7% for the year ended 31 December 2024.

Non-IFRS Measures

To supplement the Group's consolidated financial information prepared and presented in accordance with International Financial Reporting Standards, the Group has also adopted adjusted net profit and adjusted net profit margin (each a non-IFRS measure) as additional financial measures. Adjusted net profit refers to net profit for the year adjusted for listing expenses. Listing expenses refer to the expenses relating to the global offering completed by the Group in 2023. Adjusted net profit margin is calculated by dividing the adjusted net profit for the year by the total revenue for the relevant year.

The Group also uses core operating profit and core operating margin (each a non-IFRS measure) as additional financial measures to further exclude items affecting comparability. We consider both quantitative and qualitative factors when assessing whether to adjust for the impact of items that may be material or may affect the understanding of our ongoing financial and business performance or trends. Items that are affected by external factors and factors that are different from or unrelated to our core operations, such that they are considered to significantly affect the results for the current or comparable periods, are generally considered to be "items affecting comparability". Items affecting comparability include: (i) listing expenses; and (ii) gains or losses on fair value changes on unlisted convertible redeemable preferred shares. Core operating margin is calculated by dividing core operating profit for the Reporting Period by total revenue for the Reporting Period. We believe that the presentation of core operating profit and core operating profit margin provides additional information to further enhance the comparability of our historical results of operations with the trends in our underlying results of operations.

The Group uses unaudited non-IFRS measures as additional financial measures to supplement the consolidated financial information and to assess the Group's financial performance by eliminating the impact of certain non-recurring items that the Group considers to be non-indicators of the Group's business performance. Other companies in the industries in which the Group operates may have non-IFRS measures that are different from those of the Group. The use of non-IFRS measures poses limitations as an analysis tool, you should not regard such measures as being independent of, or a substitute for, the analysis of the Group's results of operations or financial position as presented in accordance with IFRSs. The Group's presentation of such non-IFRS items should not be regarded as an inference that the Group's future results will not be affected by unusual or non-recurring items.

The following table sets forth a reconciliation of adjusted net profit and adjusted net profit margin (non-IFRS measures) for the years indicated to the most directly comparable financial measures measured and presented in accordance with IFRSs (i.e. net profit for the year and net profit margin for the year).

	Year ended 31 December	
	2024	2023
	RMB '000	RMB '000
Net profit for the year (as reported under IFRSs)	241,238	263,402
Adjusted for:		
Listing expenses	–	54,570
Adjusted net profit for the year (non-IFRS measure)	241,238	317,972
Net profit margin (as reported under IFRSs)	3.7%	4.3%
Adjusted net profit margin (non-IFRS measure)	3.7%	5.2%

The following table sets forth a reconciliation of core operating profit and core operating margin (non-IFRS measures) for the years indicated to the most directly comparable financial measures measured and presented in accordance with IFRSs (i.e. net profit for the year and net profit margin for the year):

	Year ended 31 December	
	2024	2023
	RMB '000	RMB '000
Net profit for the year (as reported under IFRSs)	241,238	263,402
Adjusted for:		
Listing expenses	–	54,570
Gains or losses on fair value changes on unlisted convertible redeemable preferred shares ⁽¹⁾	69,609	(16,490)
Core operating profit for the year (non-IFRS measure)	310,847	301,482
Net profit margin (as reported under IFRSs)	3.7%	4.3%
Core operating margin (non-IFRS measure)	4.8%	4.9%

Note:

- (1) The Group invested in Dmall Inc. and recorded it as financial assets at fair value through profit or loss prior to its listing. Dmall Inc. was listed in December 2024 and was subsequently recorded as the equity investments designated at fair value through other comprehensive income.

Liquidity and Capital Resources

For the year ended 31 December 2024, the Group's cash generated from operating activities was RMB530.9 million, as compared to RMB678.3 million for the year ended 31 December 2023.

The Group's cash and bank deposits amounted to RMB1,935.7 million as at 31 December 2023, as compared to RMB2,124.7 million as at 31 December 2024, comprising long-term bank deposits of RMB106.0 million, cash and bank balances of RMB1,929.9 million and restricted cash of RMB88.8 million.

As at 31 December 2024, the Group's interest-bearing bank and other borrowings amounted to RMB67.5 million, comprising noncurrent interest-bearing bank and other borrowings of RMB4.0 million and current interest-bearing bank and other borrowings of RMB63.5 million. This represents a decrease of 15.9% from RMB80.3 million as at 31 December 2023. All borrowings are denominated in RMB and bear interest at fixed rates. The Group has not implemented any interest rate hedging policy.

The Group has sufficient liquidity to meet its daily liquidity management and capital expenditure requirements.

Capital Structure

As at 31 December 2024, the net asset value of the Group was RMB3,264.8 million, as compared to RMB3,378.8 million as at 31 December 2023. The net asset value as at 31 December 2024 mainly comprised current assets of RMB3,268.5 million, non-current assets of RMB1,483.0 million, current liabilities of RMB1,404.4 million and non-current liabilities of RMB82.3 million.

As at 31 December 2024, the Group's cash and cash equivalents were mainly denominated in RMB. As at 31 December 2023, the Group's cash and cash equivalents were mainly denominated in RMB and HK\$.

The Group's gearing ratio (gearing ratio equals total interest-bearing borrowings and lease liabilities divided by total interest-bearing borrowings, lease liabilities and total equity attributable to owners of the parent at the end of the year, multiplied by 100%) decreased from 3.3% as at 31 December 2023 to 3.2% as at 31 December 2024.

Financial Risk

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

Use of Proceeds from Global Offering

From 2 November 2023 on which the Company's shares listed (i.e. the Listing Date) to 31 December 2024, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the Prospectus. The aggregate net proceeds from the Global Offering, after deduction of the underwriting fees and other related expenses, amounted to approximately HK\$448.7 million.

As at 31 December 2024, the Group has utilized approximately HK\$79.4 million of the proceeds in aggregate for the intended purposes set out in the Prospectus, accounting for 17.7% of gross net proceeds from the Global Offering, and the remaining unutilized proceeds are approximately HK\$369.3 million. The balance of the proceeds from the listing will continue to be utilized in accordance with the purposes and proportions disclosed in the Prospectus. For details, please see the following table:

	% of total net proceeds	Net proceeds from the Global Offering (HK\$ million)	Unutilized amount as at 31 December 2023 (HK\$ million)	Actual amount utilized during the Reporting Period (HK\$ million)	Unutilized amount as at 31 December 2024 (HK\$ million)	Expected timeline for fully utilizing unutilized amount
Construction, investment or acquisition of plants	25%	112.1	112.1	59.6	52.5	On or before 31 December 2027
Upgrading and expansion of existing plants and production lines	15%	67.3	67.3	–	67.3	On or before 31 December 2027
Opening and operation of self- operated stores	40%	179.5	179.5	–	179.5	On or before 31 December 2027
Building of product R&D centers as well as upgrade and purchase related equipment	10%	44.9	44.9	–	44.9	On or before 31 December 2027
Working capital and general corporate uses	10%	44.9	25.1	–	25.1	On or before 31 December 2027
Total		448.7	428.9	59.6	369.3	

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the Reporting Period and up to the date of this announcement.

Inventories

The inventories of the Group decreased by 3.8% from RMB719.5 million as at 31 December 2023 to RMB691.8 million as at 31 December 2024. Due to the Group's better inventory management, inventory turnover days decreased from 68.0 days in 2023 to 51.0 days in 2024.

Trade Receivables

The trade receivables of the Group increased from RMB54.3 million as at 31 December 2023 to RMB233.8 million as at 31 December 2024 mainly due to the increase in sales to corporate customers during the year. The trade receivables turnover days increased slightly from 6.0 days in 2023 to 8.1 days in 2024, mainly due to the increase in the collection periods of new corporate customers during the year.

Trade Payables

The trade payables of the Group increased from RMB457.3 million as at 31 December 2023 to RMB647.1 million as at 31 December 2024. The trade payables turnover days increased slightly from 39.8 days in 2023 to 39.9 days in 2024.

Pledged Assets

As at 31 December 2024, the Group had pledged property, plant and equipment amounting to RMB124.4 million and right-of-use assets amounting to RMB11.5 million for its interest-bearing bank and other borrowings.

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize equity holders value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to equity holders, return capital to equity holders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately RMB16.8 million, which were mainly used for purchase of property, plant and equipment.

Contingent Liabilities

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

Significant Investments, Material Acquisitions and Disposals

The Company completed the acquisition of 41% equity interests in Beihai Daixiaji Food Co., Ltd. (“**Daixiaji**”) on 24 December 2024 at a total purchase price of RMB246 million, which was funded by the Company’s internal resources and in part by the proceeds from the Global Offering. Following the completion of the acquisition, the Group held a total of 51% equity interest in Daixiaji. As an associate of the Company, the portion of Daixiaji’s net profit attributable to the Group was recognized in Group’s consolidated statement of profit or loss.

Daixiaji is principally engaged in the production, research and development and sales of shrimp paste, beef paste, pork paste, chicken paste, cuttlefish paste, fish paste and other paste food, with shrimp paste as the main category and other paste products to enrich the product matrix, which has a good synergistic effect with the Group. The Group has always been committed to food safety and quality assurance, with high requirements for its suppliers. The acquisition enabled the Group to enhance its control over the upstream supply chain of key products under its one-product-one-factory strategy and to strengthen its stability of obtaining the supply of high-quality products that meet food safety standards, so as to intensify the Group's upstream supply chain market layout, deepen the synergy and resource integration and further improve the Group's overall profitability.

Daixiaji is a substantial associate of the Group and was recorded by equity method. As at 31 December 2024, the carrying amount of investment in Daixiaji of the Group was RMB299.5 million, representing approximately 6.3% of the Group's total assets as at 31 December 2024.

Save as disclosed above, as at 31 December 2024, the Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Investments in Capital Assets

As at 31 December 2024, save as disclosed herein and the Prospectus, the Group did not have plans for material investments and capital assets.

Employees and Employee Benefit Expenses

As at 31 December 2024, the Group had a total of 2,119 employees. In 2024, the total employee benefit expenses arising from the Group amounted to RMB528.3 million.

The Group recruits employees primarily by way of headhunting, referrals, on-campus recruiting programs and recruitment websites. The Group recognizes the importance of training its employees to enhance their technical skills and overall capabilities. The Group provides a comprehensive training system to enhance the technical skills and management skills of its employees in practical areas.

The Group is dedicated to providing fair and equal opportunities to its employees, and has formulated detailed career development and promotion plans covering all levels of employees, and conducts regular performance assessments. The salary and benefit levels of the Group's employees are determined with reference to the market and the individual's qualifications and competence, and performance bonuses and other incentive systems are established, which are paid based on the performance of individual employees and the overall performance of the Group's business upon evaluation. Employees who have made outstanding contributions to the Group's business are recognized and encouraged with a competitive remuneration policy.

Major Suppliers and Major Customers

For the year ended 31 December 2024, the proportions of the revenue from the top five customers of the Group and the proportions of the purchases from the top five suppliers of the Group were both less than 30%.

Distributable Reserves

As of 31 December 2024, the Company had distributable reserves of approximately RMB254.0 million.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	<i>Notes</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
REVENUE	<i>6</i>	6,469,810	6,094,104
Cost of sales		<u>(5,053,058)</u>	<u>(4,743,163)</u>
Gross profit		1,416,752	1,350,941
Other income and gains, net	<i>7</i>	26,134	104,915
Selling and distribution expenses		(664,194)	(578,820)
Administrative expenses		(454,282)	(497,235)
Other expenses		(1,240)	(8,652)
Finance costs	<i>9</i>	(4,421)	(5,432)
Impairment loss on financial assets, net of reversal	<i>13</i>	<u>797</u>	<u>(2,292)</u>
PROFIT BEFORE TAX	<i>8</i>	319,546	363,425
Income tax expense	<i>10</i>	<u>(78,308)</u>	<u>(100,023)</u>
PROFIT FOR THE YEAR		<u>241,238</u>	<u>263,402</u>
Attributable to:			
Owners of the parent		230,558	239,636
Non-controlling interests		<u>10,680</u>	<u>23,766</u>
		<u>241,238</u>	<u>263,402</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year (RMB cents)	<i>12</i>	<u>8.41</u>	<u>8.94</u>
Diluted			
– For profit for the year (RMB cents)	<i>12</i>	<u>8.41</u>	<u>8.94</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2024*

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	<u>241,238</u>	<u>263,402</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss		
that may be reclassified to profit or		
loss in subsequent periods:		
Exchange differences on translation of		
foreign operations	<u>(59)</u>	<u>(201)</u>
Net other comprehensive loss		
that may be reclassified to profit or loss		
in subsequent periods	<u>(59)</u>	<u>(201)</u>
Other comprehensive (loss)/income		
that will not be reclassified to profit or		
loss in subsequent periods:		
Equity investments designated at fair value through		
other comprehensive income:		
Changes in fair value	(176,968)	31,205
Income tax effect	<u>45,110</u>	<u>(7,801)</u>
Net other comprehensive (loss)/income that will not be		
reclassified to profit or loss in subsequent periods	<u>(131,858)</u>	<u>23,404</u>
OTHER COMPREHENSIVE INCOME FOR THE		
YEAR, NET OF TAX	<u>(131,917)</u>	<u>23,203</u>
TOTAL COMPREHENSIVE INCOME FOR THE		
YEAR	<u>109,321</u>	<u>286,605</u>
Attributable to:		
Owners of the parent	98,641	262,839
Non-controlling interests	<u>10,680</u>	<u>23,766</u>
	<u>109,321</u>	<u>286,605</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		493,765	440,820
Right-of-use assets		150,750	135,714
Goodwill		138,010	138,010
Other intangible assets		50,899	58,233
Investments in associates		301,626	2,070
Equity investments designated at fair value through other comprehensive income		139,695	253,090
Other non-current assets		15,443	24,524
Financial assets at fair value through profit or loss		–	209,861
Long-term bank deposits		106,046	453,871
Deferred tax assets		86,793	60,160
Total non-current assets		1,483,027	1,776,353
CURRENT ASSETS			
Inventories		691,827	719,515
Trade receivables	13	233,804	54,263
Prepayments, other receivables and other assets		324,082	408,668
Restricted cash		88,838	64,220
Financial assets at fair value through profit or loss		–	211,031
Cash and bank balances		1,929,900	1,417,596
Total current assets		3,268,451	2,875,293
CURRENT LIABILITIES			
Trade payables	14	647,055	457,297
Other payables and accruals		637,357	577,296
Interest-bearing bank and other borrowings		63,510	72,135
Lease liabilities		16,164	17,849
Tax payables		40,275	43,311
Total current liabilities		1,404,361	1,167,888
NET CURRENT ASSETS		1,864,090	1,707,405
TOTAL ASSETS LESS CURRENT LIABILITIES		3,347,117	3,483,758

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 31 December 2024*

	<i>Notes</i>	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Deferred income		24,697	18,260
Interest-bearing bank and other borrowings		4,000	8,139
Lease liabilities		19,040	12,162
Deferred tax liabilities		34,559	66,414
		<hr/>	<hr/>
Total non-current liabilities		82,296	104,975
		<hr/>	<hr/>
Net assets		3,264,821	3,378,783
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital		2,747,360	2,747,360
Treasury shares		(73,309)	–
Reserves		470,321	514,817
		<hr/>	<hr/>
		3,144,372	3,262,177
		<hr/>	<hr/>
Non-controlling interests		120,449	116,606
		<hr/>	<hr/>
Total equity		3,264,821	3,378,783
		<hr/>	<hr/>

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Guoquan Food (Shanghai) Co., Ltd. was registered in the People's Republic of China (the “**PRC**”). The address of the registered office is No. 3, Lane 187, Xinghong Road, Minhang District, Shanghai. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 2 November 2023.

The Company and its subsidiaries (together as the “**Group**”) were involved in the operation of a franchised retail network, processing and trading of meal products and related products in Mainland China.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the “**IASB**”), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income (“**OCI**”) which have been measured at fair value. The consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the current year's financial statements.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The application of these revised IFRS Accounting Standards in the reporting period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these annual consolidated financial statements.

4. ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 18	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
Annual Improvements to IFRS Accounting Standards – Volume 11	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ²

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

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual/reporting periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosure of management-defined performance measures in a note and introduces new requirements for aggregation and disaggregation of financial information. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and revised standards are unlikely to have a significant impact on the Group's results of operations and financial position.

5. OPERATING SEGMENT INFORMATION

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no reportable segment information is presented.

Geographical information

Since all of the Group's revenue are derived from customers based in Mainland China during the reporting period and all the Group's non-current assets are located in Mainland China, no further geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

No sales to a single customer accounted for 10% or more of the Group's revenue for each of the years ended 31 December 2024 and 2023.

6. REVENUE

(a) An analysis of revenue is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue from contracts with customers		
Sale of meal products and related products	6,312,246	5,940,518
Operational support services	157,564	153,586
	<hr/>	<hr/>
Total revenue from contracts with customers	6,469,810	6,094,104
	<hr/>	<hr/>
Timing of revenue recognition		
Goods transferred at a point in time	6,312,246	5,940,518
Services transferred over time	157,564	153,586
	<hr/>	<hr/>
Total revenue from contracts with customers	6,469,810	6,094,104
	<hr/>	<hr/>

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of meal products and related products	21,930	22,190
Operational support services	70,899	68,950
	<hr/>	<hr/>
Total	92,829	91,140
	<hr/>	<hr/>

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of meal products and related products

The performance obligation is satisfied upon delivery of meal products and related products and payment in advance is normally required, except for customers with credit terms, where payment is generally due within 30 days to 180 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration.

Operational support services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. The franchisees are required to pay the Group a fixed sum of yearly operational support service fee for each franchised store at the beginning of each franchise period.

The Group has no revenue contract that has an original expected duration more than one year. Thus, management applied practical expedient under IFRS15 and does not disclose the aggregate amount of the transaction prices allocated to the performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period.

7. OTHER INCOME AND GAINS, NET

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Other income		
Government grants related to		
– income (i)	48,313	45,183
– assets (ii)	2,063	1,128
Interest income	38,872	31,792
Others	13,782	5,476
	<hr/>	<hr/>
Total other income	103,030	83,579
	<hr/> <hr/>	<hr/> <hr/>
Gains, net		
Foreign exchange differences, net	6,140	(7,210)
Realised fair value gains from financial assets at fair value through profit or loss	5,512	5,402
Unrealised fair value changes on financial assets at fair value through profit or loss		
– Wealth management products	(31)	(36)
– Investment in Dmall Inc.	(92,812)	21,986
Share of profits of an associate	80	70
Dividend income from equity investments designated at fair value through other comprehensive income	2,000	–
(Loss)/gain on early termination of leases	(193)	799
Gain on sublease	2,408	–
Gain on disposal of items of property, plant and equipment, net	–	325
	<hr/>	<hr/>
Total (losses)/gains	(76,896)	21,336
	<hr/> <hr/>	<hr/> <hr/>
Total other income and gains	26,134	104,915
	<hr/> <hr/>	<hr/> <hr/>

- (i) The government grants related to income have been received to reward for the Group's contribution to the local economic growth. These grants related to income are recognised in the consolidated statements of profit or loss upon receipt of these rewards and the related conditions associated with the rewards, if any, are met. There are no unfulfilled conditions or other contingencies attaching to these grants.
- (ii) The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognised in the consolidated statements of profit or loss over the useful lives of relevant assets.

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2024 RMB'000	2023 <i>RMB'000</i>
Cost of inventories sold*		4,841,516	4,531,610
Depreciation of property, plant and equipment		50,525	37,216
Depreciation of right-of-use assets		27,483	34,281
Expenses relating to short-term leases		12,117	9,772
Amortisation of other intangible assets**		7,932	9,296
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):			
Wages and salaries		440,582	377,347
Pension scheme contributions, social welfare and other welfare***		65,807	59,884
Other employee benefits		21,951	26,151
Research and development costs****		12,383	8,537
Listing expenses		–	54,570
Impairment loss on financial assets, net of reversal	13	(797)	2,292
Impairment losses on inventories, net of reversal		(538)	(3,155)
Auditor's remuneration		4,000	2,850
Gain on disposal of items of property, plant and equipment, net	7	–	(325)
Government grants	7	(50,376)	(46,311)
Foreign exchange differences, net	7	(6,140)	7,210
Interest income	7	(38,872)	(31,792)
Finance costs	9	4,421	5,432

* Cost of inventories sold includes expense relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of other intangible assets is included in administrative expenses and selling and distribution expenses in the consolidated statement of profit or loss.

*** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

**** Research and development costs include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank and other borrowings	2,935	4,209
Interest on lease liabilities	1,486	1,627
	<u>4,421</u>	<u>5,836</u>
Less: Interest capitalised	–	404
Total	<u><u>4,421</u></u>	<u><u>5,432</u></u>

10. INCOME TAX

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current – PRC		
Charge for the year	89,044	48,842
Underprovision/(overprovision) in prior years	2,642	(2,445)
Deferred income tax	(13,378)	53,626
Total	<u><u>78,308</u></u>	<u><u>100,023</u></u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the Group’s PRC subsidiaries is 25% unless subject to tax relief and exemption.

Pursuant to “The Announcement on Relevant Tax Policies for Further Supporting the Development of Small-scaled Minimal Profit Enterprise and Individual Industrial and Commercial Households ” (Announcement [2023] No. 12) issued by MOF and National Tax Bureau on 2 August 2023, for a small-scaled minimal profit enterprise with an annual taxable profit below RMB3,000,000 (RMB3,000,000 included), on top of the tax relief policies stipulated under “The Announcement of Implementation on Inclusive Tax Relief Policy of Small-scaled minimal profit enterprise” issued by MOF and National Tax Bureau” (Cai shui [2019] No. 13) and “The Announcement on the Further Implementation of Preferential Income Tax Policies for Small-scaled Minimal Profit Enterprise” (Cai shui [2022] No. 13). That is, for a small-scaled minimal profit enterprise whose annual taxable income does not exceed RMB3,000,000, the taxable income is reduced by 25% and the enterprise income tax shall be paid at a rate of 20% from 1 January 2023 to 31 December 2027.

HK profit tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Reporting period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

11. DIVIDENDS

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Proposed final – RMB0.0746 (2023: RMB0.0521) per ordinary share	<u>200,136</u>	<u>143,137</u>

The proposed 2024 final dividend for the year is based on the total number of shares of the Group as of 28 March 2025 (excluding treasury shares), which is 2,682,783,200 shares and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 2,743,017,000 (2023: 2,681,919,000) outstanding during the year. The weighted average number of ordinary shares outstanding before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in February 2023.

	2024	2023
Profit attributable to owners of the parent (RMB'000)	<u>230,558</u>	<u>239,636</u>
Weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,743,017,000</u>	<u>2,681,919,000</u>
Basic earnings per share (RMB cents)	<u>8.41</u>	<u>8.94</u>

There were no dilutive potential ordinary shares in issue during both current and prior periods.

13. TRADE RECEIVABLES

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Trade receivables	240,309	61,565
Impairment	<u>(6,505)</u>	<u>(7,302)</u>
Net carrying amount	<u>233,804</u>	<u>54,263</u>

Included in the Group's trade receivables was an amount due from a related party of RMB32,501,000 as at 31 December 2024 (2023: RMB4,000), which is recoverable within one year.

Advance payment is normally required for the sale to franchisees in Mainland China except for direct sales customers where credits are granted. The credit period is generally one month, extending up to six months for major direct sales customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Within 1 month	120,548	30,598
1 to 3 months	93,410	5,291
3 to 6 months	18,287	1,600
6 to 12 months	1,559	16,771
1 to 2 years	–	3
	<hr/>	<hr/>
Total	233,804	54,263
	<hr/> <hr/>	<hr/> <hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
At beginning of year	7,302	5,010
Impairment loss, net of reversal (note 8)	(797)	2,292
	<hr/>	<hr/>
At end of year	6,505	7,302
	<hr/> <hr/>	<hr/> <hr/>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group overall considers the characteristics of the shared credit risk and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and in general, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2024

	Current	Past due				Total
		Within 3 months	3 to 6 months	6 to 12 months	1 to 2 years	
Expected credit loss rate	0.44%	6.14%	15.74%	69.53%	100.00%	
Gross carrying amount (RMB'000)	226,139	7,194	1,912	991	4,073	240,309
Expected credit losses (RMB'000)	1,000	442	301	689	4,073	6,505

At 31 December 2023

	Current	Past due				Total
		Within 3 months	3 to 6 months	6 to 12 months	1 to 2 years	
Expected credit loss rate	1.04%	5.25%	12.01%	64.75%	100.00%	
Gross carrying amount (RMB'000)	30,655	7,004	19,255	993	3,658	61,565
Expected credit losses (RMB'000)	320	368	2,313	643	3,658	7,302

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 month	503,469	404,909
1 to 3 months	126,454	49,064
3 to 6 months	13,707	1,325
6 months to 1 year	2,442	900
Over 1 year	983	1,099
Total	<u>647,055</u>	<u>457,297</u>

Trade payables are non-interest-bearing and normally settled within 30 days.

Included in the Group's trade payables are amounts due to a related party of RMB27,793,000 as at 31 December 2024 (2023: RMB4,916,000).

OTHER INFORMATION

FINAL DIVIDEND

The Board recommended the distribution of a final dividend of RMB0.0746 (tax inclusive) per ordinary share, equivalent to an aggregate amount of RMB200.1 million⁽¹⁾, for the year ended 31 December 2024. However, as the Shares will be repurchased and held as treasury shares by the Company from time to time, the actual aggregate amount of the final cash dividend to be paid will be based on the total number of Shares (excluding the treasury shares) on the record date for the payment of the final dividend, which will be announced by the Company separately then. The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars to the holders of H Shares. The final dividend payable in Hong Kong dollars will be converted from RMB at the average exchange rate of RMB to Hong Kong dollars as published by the People's Bank of China for the five business days prior to the forthcoming annual general meeting and the final dividend payable to the holders of Domestic Unlisted Shares of the Company will be paid in RMB. If such profit distribution plan is approved by the shareholders of the Company (the “Shareholders”) at the annual general meeting to be held on Friday, 27 June 2025, the final dividend will be paid no later than Friday, 29 August 2025, to the Shareholders whose names are listed on the register of members of the Company on Wednesday, 9 July 2025. All treasury shares held by the Company are not entitled to the final dividend.

Note:

- (1) The accounting basis is founded on the total number of Shares (excluding the treasury shares) of 2,682,783,200 Shares of the Company as of 28 March 2025.

The Company will not be liable for any claim or dispute over the withholding mechanism arising from any delay in, or inaccurate determination of the status of the Shareholders.

The Board is not aware of any Shareholders who have waived or agreed to waive any dividend.

DIVIDEND POLICY

We currently do not have any pre-determined dividend payout ratio. The Board and the Company may declare dividends after taking into account our results of operations, financial condition, cash requirements and availability and other factors as they may deem relevant at such time. Historical declaration of dividends of the Company may not reflect our future declaration of dividends. Any declaration and payment as well as the amounts of dividends will be subject to our constitutional documents, applicable PRC laws and approval by the Shareholders. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends should be paid only out of the profit for the year calculated according to PRC accounting principles, while the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects. PRC laws also require our subsidiaries to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Friday, 27 June 2025, the notice and circular of which will be published and despatched to the Shareholders who requested the printed copy in due course.

CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 24 June 2025 to Friday, 27 June 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Room 802, No. 3 Lane 187, Xinghong Road, Minhang District, Shanghai, PRC (for holders of Domestic Unlisted Shares), or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) not later than 4:30 p.m. on Monday, 23 June 2025, for registration.

For determining the entitlement to the proposed final dividend, subject to approval by the Shareholders at the forthcoming annual general meeting, the register of members of the Company will be closed from Friday, 4 July 2025 to Wednesday, 9 July 2025, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Room 802, No. 3 Lane 187, Xinghong Road, Minhang District, Shanghai, PRC (for holders of Domestic Unlisted Shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Thursday, 3 July 2025, for registration.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2024, the Company repurchased a total of 38,925,600 H Shares on the Stock Exchange at a total consideration of approximately HK\$78.7 million (before expenses), and all the repurchased shares were held as treasury shares. As of 31 December 2024, the Company had not sold any treasury shares and held a total of 38,925,600 treasury shares, which will be used in share schemes, sold for cash or cancelled to the extent permitted by applicable laws and regulations and the Listing Rules, depending on the specific circumstances. The repurchases were made for the benefit of the Company and to create value for the Shareholders. Details of the repurchases are set out below:

Month of purchase in 2024	Purchase consideration per share			Aggregate consideration paid HK\$
	Number of shares purchased	Highest price paid HK\$	Lowest price paid HK\$	
November	32,978,400	2.14	1.84	67,507,952
December	5,947,200	1.93	1.81	11,239,432
Total	<u>38,925,600</u>			<u>78,747,384</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities (including treasury shares) of Company during the year ended 31 December 2024.

SUBSEQUENT EVENTS

There was no significant subsequent event which may affect the Group occurred after the Reporting Period and up to the date of this announcement.

AUDIT COMMITTEE

As at December 2024 and as at the date of this announcement, the audit committee (the “**Audit Committee**”) of the Company comprises three independent non-executive Directors, namely Mr. Shi Kangping, Ms. Yu Fang Jing and Mr. Li Jianfeng. Mr. Shi Kangping currently serves as the chairperson of the Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF ERNST & YOUNG

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions of 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 in effect from time to time) as its own code of corporate governance.

During the Reporting Period, except for the deviation from code provision C.5.3 in part 2 of the CG Code on the requirement to give at least 14 days’ notice for convening the fourth regular Board meeting for 2024 and the deviation from code provision C.2.1 in part 2 of the CG Code on the requirement to clearly separate the roles of chairperson and chief executive officer, the Company has complied with all applicable code provisions of the CG Code during the year ended 31 December 2024.

Under the Code provision C.2.1 of the CG Code, the roles of chairperson and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairperson and chief executive officer should be clearly established and set out in writing. During the Reporting Period, the chairperson of the Board and chief executive officer of the Company were assumed by one person, Mr. Yang Mingchao, who is mainly responsible for the strategic decisions of the Company. The Board believes that, in view of his experience, personal profile and his roles in the Company as mentioned above, Mr. Yang is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Pursuant to Code provision C.5.3 of the CG Code, at least 14 days' notice should be given of a regular board meeting to give all directors an opportunity to attend. However, during the Reporting Period, the Company's fourth regular Board meeting for 2024 was held on 16 December 2024 with less than 14 days' notice, which mainly because that at the request of the Company's Shareholders, in view of the overall arrangement for the implementation of the H Share Full Circulation and the tight schedule for reviewing proposals on the implementation of H Share Full Circulation and the proposed amendments to the Articles of Association of the Company, the Company applied to the Directors for a waiver of the obligation to give advance notice of the regular Board meeting, and the waiver application was approved by all Directors. Although the Company did not give 14 days' notice to all Directors, in order to ensure that the Directors would have sufficient time to review and consider the meeting agenda and proposals, the Company sent the agenda and related meeting documents for the regular Board meeting to all Directors on 10 December 2024 (6 days in advance of the meeting date), strictly complying with the requirement of at least 3 days' notice under Code provision C.5.8 of the CG Code. In addition, all Directors attended the meeting and voted on various proposals. For the above reasons, the Board believes that the fourth regular Board meeting for 2024 with less than 14 days' notice didn't affect the attendance of all Directors at the meeting, careful reading and prudent consideration of the proposals, and effective decision-making. For details of the proposed implementation of H Share Full Circulation and the proposed amendments to the Articles of Association approved by the Board, please refer to the announcement of the Company dated 16 December 2024. The Board will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in securities of the Company by the Directors’, Supervisors’ and relevant employees’ (i.e. employees who may have inside information about the Company) of the Company.

The Company has made reasonable enquiry of all the Directors, Supervisors and they have confirmed that they have fully complied with the required standards of dealings set out in the Model Code throughout the Reporting Period.

No incident of non-compliance with the Model Code by the relevant employees of the Company were noted by the Company for the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.zzgqsh.com). The annual report of the Company for 2024 will also be available on the above websites and dispatched to the Shareholders who requested the printed copy in due course.

By order of the Board
Guoquan Food (Shanghai) Co., Ltd.
鍋圈食品(上海)股份有限公司
Mr. Yang Mingchao
*Chairperson of the Board, Executive
Director and Chief Executive Officer*

Hong Kong, 28 March 2025

As at the date of this announcement, the Board of the Company comprises Mr. Yang Mingchao, Mr. Meng Xianjin, Mr. An Haolei and Ms. Luo Na as executive directors; Mr. Yi Jiayu, and Mr. Liu Zhengzheng as non-executive directors; Mr. Zeng Xiaosong, Ms. Yu Fang Jing, Mr. Li Jianfeng and Mr. Shi Kangping as independent non-executive directors.