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BEST FOOD HOLDING COMPANY LIMITED
百福控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01488)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**474,209**	610,619
Adjusted loss for the year *(Note)*	**(76,509)**	(51,469)
Adjusted items		
Interest on convertible bonds	**(39,811)**	(37,815)
Impairment of intangible assets	**(93,528)**	(95,299)
Impairment of investments in associates	**(71,385)**	(1,937)
Tax impact in respect of the impairment of intangible assets	**23,382**	23,825
Loss for the year	**(257,851)**	(162,695)
Loss per share attributable to equity holders of the Company:		
Loss per share (RMB cents) — basic and diluted	**(15.32)**	(9.61)

Note:

The adjusted loss for the year is a non-GAAP financial measure and is calculated as the loss for the year excluding interest on convertible bonds, impairment of intangible assets, impairment of investment in associates and tax impact in respect of the impairment of intangible assets. The Group uses such adjusted loss as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and to evaluate the financial performance of the Group by excluding the impact of certain non-operating items which the Group does not consider to be indicative of the operating performance of the Group.

Such non-GAAP financial measure has limitation as an analytical tool, and should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS. This non-GAAP financial measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-GAAP financial measure should not be construed as an inference that the Group's future results will be unaffected by these items. Please see "Non-GAAP Financial Measure" for details.

PERFORMANCE REVIEW

Best Food Holding Company Limited (the "**Company**" or "**Best Food**") and its subsidiaries (collectively the "**Group**") are engaged in the operation of, and investment in, food and beverage business under several brands, including "Xinladao" fish hot pot, "HHG" Chinese fast food, "Yujian Xiaomian" Sichuan and Chongqing style fast food, "King of Clay Pot" claypot rice, "Yuepin" Vietnamese cuisine, "Foook" malatang, "Dafulan" Hunan rice noodles and snacks and "Panda Hot Pot" small hot pot.

For the year 2024, the Group's total system sales, including sales of all restaurants, both owned and franchised under the brands of the Group and its associates, amounted to RMB3,526 million, representing an increase of 6.1% over the corresponding period of 2023. As at 31 December 2024, the number of stores under all the brands of the Group and its associates was 1,171, with a net increase in newly opened direct-sale stores and franchised stores of more than 110 stores as compared with that as at 31 December 2023. For the year 2024, the financial statement revenue of the Group amounted to RMB474 million, representing an decrease of 22.3% over the corresponding period of 2023.

A surge of entrepreneurs flocked into the catering industry in recent years, which led to significant pressure on the industry. In 2024, the imbalance between supply and demand further intensified. The continuous price war caused comparable same-store sales to decline widely, and profit margins were significantly compressed, exacerbating corporate losses. Despite this, some outstanding brands within the industry achieved counter-trend growth, proving room for development through innovation and breakthroughs for brands.

"HHG", the rice fast food brand, accelerated the expansion through franchising to enlarge the overall scale, optimized the single-store model, enriched the product categories and supply times, and emphasized the characteristic of stir-frying on the spot. With major chain brands from other regions entering Beijing and accelerating their layout, the competition faced by HHG is intensifying.

"Xinladao" operates in a highly competitive hot pot market, with the core market in Beijing being particularly intense. To cope with market shocks, Xinladao is committed to optimize its single-store model and enrich store types. By focusing on product innovation, expanding product categories and upgrading brand image, Xinladao aims to provide consumers with higher cost-performance experience.

Among the numerous brands invested by Best Food, there are still some brands developing steadily. For instance, "Yujian Xiaomian" has achieved success in store models and cross-regional expansion, with the number of stores surpassing 300 and profit reaching an all-time high. Additionally, "King of Clay Pot" has become a leading brand in clay pot rice, with the number of stores breaking through 200. It has a higher store density in the East China region and is actively expanding into emerging markets.

Benefiting from years of deep cultivation, Best Food has accumulated profound understanding and insights into the catering industry. With the "Co-Creation Camp" (共創營) project as the primary traffic source, the Company has established a business closed-loop ecosystem, aiming to build an efficient and interconnected platform. Through training, consulting, and innovative store investment models as the primary value realization means, the initiative drives corporate innovation and performance breakthroughs.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Revenue of the Group decreased by 22.3% from RMB610.6 million for the year ended 31 December 2023 to RMB474.2 million for the corresponding period of 2024, among which revenue from restaurant operations decreased by 33.6% from RMB321.3 million for the year ended 31 December 2023 to RMB213.2 million for the corresponding period of 2024, and revenue from delivery business decreased by 21.0% from RMB213.4 million for the year ended 31 December 2023 to RMB168.6 million for the corresponding period of 2024. The decrease in revenue is primarily due to intense market competition, the Group's own strategic transformation, a reduction in the number of directly operated stores, and an increase in the number of franchise stores.

Raw material used and changes in inventories of finished goods

Raw material used and changes in inventories of finished goods decreased by 14.4% from RMB232.7 million for the year ended 31 December 2023 to RMB199.3 million for the corresponding period of 2024, which was mainly attributable to the decline in revenue. Raw material used and changes in inventories of finished goods as a percentage of revenue were 38.1% for the year ended 31 December 2023 and 42.0% for the corresponding period of 2024, respectively, and such increase was primarily attributable to the decrease in revenue during the reporting period.

Online platform service charges and delivery fees

Online platform service charges and delivery fees decreased by 14.3% from RMB39.2 million for the year ended 31 December 2023 to RMB33.6 million for the corresponding period of 2024. Online platform service charges and delivery fees as a percentage of revenue from delivery business increased from 18.4% for the year ended 31 December 2023 to 19.9% for the year ended 31 December 2024.

Employee benefit expense

Employee benefit expense decreased by 17.5% from RMB174.6 million for the year ended 31 December 2023 to RMB144.1 million for the corresponding period of 2024, and employee benefit expense as a percentage of revenue increased from 28.6% for the year ended 31 December 2023 to 30.4% for the corresponding period of 2024, which was mainly attributable to the decrease in revenue during the reporting period.

Depreciation of right-of-use assets

Depreciation of right-of-use assets decreased by 21.1% from RMB70.6 million for the year ended 31 December 2023 to RMB55.7 million for the corresponding period of 2024; depreciation of right-of-use assets as a percentage of revenue increased from 11.6% for the year ended 31 December 2023 to 11.7% for the corresponding period of 2024, which was mainly due to the closure of restaurants.

Depreciation and amortisation of other assets

Depreciation and amortisation of other assets decreased by 25.7% from RMB22.6 million for the year ended 31 December 2023 to RMB16.8 million for the corresponding period of 2024. Depreciation and amortisation of other assets as a percentage of revenue decreased from 3.7% for the year ended 31 December 2023 to 3.5% for the corresponding period of 2024, which was mainly due to the closure of certain underperforming restaurants and disposal of underlying assets with lower revenue contribution during the reporting period.

Property rentals and other related expenses

Property rentals and other related expenses decreased by 19.7% from RMB18.3 million for the year ended 31 December 2023 to RMB14.7 million for the corresponding period of 2024, property rentals and other related expenses as a percentage of revenue was 3.0% for the year ended 31 December 2023 and 3.1% for the corresponding period of 2024.

Other expenses

Other expenses decreased by 12.7% from RMB59.0 million for the year ended 31 December 2023 to RMB51.5 million for the corresponding period of 2024, which was mainly attributable to (i) the daily maintenance expenses decreased by RMB3.4 million; and (ii) business development expenses decreased by RMB2.5 million; and (iii) impairment of property, plant and equipment decreased by RMB1.3 million during the reporting period. Other expenses as a percentage of revenue increased from 9.7% for the year ended 31 December 2023 to 10.9% for the corresponding period of 2024, which was mainly attributable to the decrease of revenue during the reporting period.

Finance expenses — net

Finance expenses — net (which includes finance income, finance expenses and interest on convertible bonds) increased by 0.6% from RMB47.2 million for the year ended 31 December 2023 to RMB47.5 million for the corresponding period of 2024.

Income tax credit/expense

Income tax credit amounted to RMB7.9 million for the year ended 31 December 2024, as compared to income tax expense of RMB4.5 million for the corresponding period of 2023, which was mainly due to the income tax credit representing the tax impact in respect of the impairment of intangible assets and partially offset by certain tax losses for which no deferred income tax asset was recognized during the year ended 31 December 2024.

Loss for the year attributable to equity holders of the Company

The Group recorded a loss for the year attributable to equity holders of the Company of approximately RMB241.8 million, as compared to loss attributable to equity holders of the Company of approximately RMB151.7 million for the year ended 31 December 2023. In 2024, intensified market competition and consumer downgrading have impacted restaurant operations, leading to an expansion in operating losses. At the same time, the Group recognised impairment loss on trademarks in the amount of approximately RMB93.5 million in 2024 (2023: approximately RMB95.3 million). Further, the Group recognised impairment loss on investment in associates of approximately RMB71.4 million for the year ended 31 December 2024 (2023: approximately RMB1.9 million). Please refer to the section headed "Trademarks" below, note 10 and note 15 to the consolidated financial results of the Company in this announcement for further details about the impairment loss.

Non-GAAP Financial Measure

Adjusted loss for the year

The adjusted loss for the year is an additional financial measure, which is not required by, or presented in accordance with the HKFRS. It is calculated as an additional financial measure to the loss for the year to supplement the consolidated financial statements to evaluate the financial performance of the Group by excluding the impact of certain non-operating items which the Group does not consider to be indicative of the operating performance of the Group, including interest on convertible bonds, impairment of intangible assets, impairment of investment in associates and tax impact in respect of the impairment of intangible assets.

The table below sets forth the reconciliation of loss for the year to adjusted loss for the year:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Loss for the year	**(257,851)**	(162,695)
Interest on convertible bonds *(i)*	**39,811**	37,815
Impairment of intangible assets *(ii)*	**93,528**	95,299
Impairment of investment in associates *(iii)*	**71,385**	1,937
Tax impact in respect of the impairment of intangible assets *(ii)*	**(23,382)**	(23,825)
Adjusted loss for the year	**(76,509)**	(51,469)

Notes:

(i) Interest on convertible bonds: Considering that the Convertible Bonds are financial liabilities solely arising from the Company's fundraising activities, the Company considered that this adjusting item was non-operating and not indicative of the operating performance of the principal business of the Group.

(ii) Impairment of intangible assets and the related tax impact: The Company made impairment on trademarks as disclosed in Note 10 to the annual results, which set out the related assumptions, assessment and calculation of the impairment on trademarks. The impairment loss in respect of the CGUs was determined based on FVLCOD which was higher than VIU. The decrease of FVLCOD was mainly triggered by (1) the decline of enterprise value/sales multiples of selected comparable listed companies engaging in catering businesses and (2) the decrease of revenue for the year ended 31 December 2024 as a result of the closure of restaurants and the underperformance of certain restaurants. Therefore, the Company considered that the impairment loss was not directly related to the operating performance of the Group.

(iii) Impairment of investment in associates: During the year ended 31 December 2024, the Group recognized impairment losses amounting to approximately RMB71 million on its investments in certain associates, after considering relevant factors in determining the respective recoverable amounts of the investments in these associates including the deterioration of their business and the corresponding financial performance and financial condition as well as the decrease in the enterprise value to sales multiples of comparable companies of these associates. The Company considered that such impairment loss was non-operating in nature and not directly related to the operating performance of the Group. As the amount of impairment of investment in associates for the year ended 31 December 2024 had substantially increased compared to the relatively insignificant amount in the corresponding period of 2023 of approximately RMB1.9 million, the adjusting item is included in the calculation of adjusted loss for the year to supplement the consolidated financial statements. The comparable figure for the year ended 31 December 2023 is also provided for comparability purposes.

Such non-GAAP financial measure has limitation as an analytical tool, and should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS. This non-GAAP financial measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-GAAP financial measure should not be construed as an inference that the Group's future results will be unaffected by these items.

Right-of-use assets

Under HKFRS 16 Lease ("**HKFRS 16**"), the Group recognised right-of-use assets with respect to its property leases. The right-of-use assets are depreciated over the leasing term or the useful life of the underlying asset, whichever the shorter. As of 31 December 2024, the Group recognised right-of-use assets with an amount of RMB95.3 million (as of 31 December 2023: RMB149.0 million) which was mainly due to the closure of restaurants.

Investments in associates

Total investments in associates amounted to RMB153.8 million as at 31 December 2024, as compared to RMB229.8 million for the corresponding period of 2023, representing a decrease of 33.1%, which was mainly attributable to the impairment of the associates in the year 2024. An impairment loss of RMB71.4 million was recognized on the investment in the associates (2023: RMB1.9 million). For further details regarding the impairment loss, please refer to note 15 to the consolidated financial results of the Company in this announcement.

Trademarks

Net book amount of the Group's trademarks decreased by 25.1% from RMB373.0 million as of 31 December 2023 to RMB279.5 million as of 31 December 2024, which was attributable to the recognized impairment loss of trademarks for the year ended 31 December 2024 of RMB93.5 million (2023: RMB95.3 million). For further details, please refer to note 10 to the consolidated financial results of the Company in this announcement.

Upon completion of the acquisition of Beijing Xinladao Catering Management Ltd. ("**Xinladao**") and its subsidiaries (the "**Xinladao Group**") in November 2018 (the "**Acquisition**"), (i) the excess amount of the total consideration for the Acquisition over the fair value of the net identifiable assets of the Xinladao Group was recognized as goodwill, which amounted to approximately RMB535 million; and (ii) acquired identifiable intangible assets of approximately RMB400 million represented trademark of Xinladao Group. Details of the Acquisition are set out in the announcements of the Company dated 19 June 2018, 18 October 2018 and 30 November 2018, and the circular of the Company dated 2 October 2018.

Since completion of the Acquisition, management of the Company has been conducting annual impairment review on the goodwill and trademarks with indefinite useful life attributable to the Xinladao Group in accordance with HKAS 36 "Impairment of assets", or more frequently if events or changes in circumstances indicate potential impairment. For the purpose of conducting the impairment assessment, the recoverable amount of the Xinladao Group is determined as the higher of value in use ("**VIU**") and fair value less costs of disposal ("**FVLCOD**"). VIU is calculated using the discounted cash flow method based on the business plan of the Xinladao Group as approved by the management, while FVLCOD is primarily affected by the market condition of the chain-restaurant industry in which the Xinladao Group operates.

In 2024, the Xinladao Group accelerated the transformation of its business model to cope with changes in the consumer market and the macro-economy, pushed forward the implementation of the strategy of integrating its direct-sales and franchising businesses. The Xinladao Group also restructured its owned store network by steadily operating profitable stores and closing those with unsatisfactory operating results, while investing in the expansion of its franchised store network.

For the purpose of the impairment review conducted as at 31 December 2024, the management of the Company has taken into account the situation of comparable companies in the capital markets, as well as Xinladao's results of operations for the year 2024 and future expectations, including (1) in respect of the calculation of the fair value less cost of disposal, the management noted that as at 31 December 2024, the market statistics for the enterprise value to sales ratios ("**enterprise value to sales ratios**") of certain comparable companies listed on the Stock Exchange have decreased when compared to that as at 31 December 2023; and (2) for the purpose of VIU calculations, the management has updated the Xinladao Group's business plan based on its business objectives in line with the operating scale in 2024, which mainly consists of the number of directly operated and franchised restaurants. Taking into account the impact of the business model restructuring and intensified market competition, the management decided to adjust downward the target number of restaurants of the Xinladao Group's directly operated and to expand franchised outlets during the forecast period, which resulted in a decrease in the projected revenue growth rate for the forecast period.

According to the management's assessment of impairment based on the higher of (1) the FVLCOD calculated in accordance with the market approach using key inputs as at 31 December 2024; and (2) the VIU calculated based on the Xinladao Group's updated business plan as at 31 December 2024, an impairment loss on trademark of RMB93.5 million was recorded for the year ended 31 December 2024.

Inventories

Inventories mainly represented the food ingredients used in restaurant operation. Inventories remained stable at from RMB23.4 million as of 31 December 2023 and RMB23.3 million as of 31 December 2024. For the years ended 31 December 2023 and 2024, the turnover days of inventories, calculated based on the average inventory at the beginning of the year and that at the end of the year divided by the costs of raw materials and consumables during the same year and multiplied by 365 and 366 days, respectively, increased from 37 days to 43 days, which was mainly due to the decrease in revenue and thereby reduced the inventory turnover speed.

Trade and other receivables

Trade and other receivables decreased by 22.2% from RMB80.1 million as of 31 December 2023 to RMB62.3 million as of 31 December 2024, among which, other receivables decreased by 21.7% from RMB69.7 million as of 31 December 2023 to RMB54.6 million as of 31 December 2024.

Trade and other payables

Trade and other payables decreased from RMB143.8 million as of 31 December 2023 to RMB116.3 million as of 31 December 2024, among which, trade payables decreased from RMB48.8 million as of 31 December 2023 to RMB36.6 million as of 31 December 2024, and the turnover days of trade payables decreased from 81 days for the year ended 31 December 2023 to 79 days for the corresponding period of 2024.

Borrowings

As of 31 December 2024, the Group had borrowings of RMB20.9 million (as of 31 December 2023: RMB11.0 million).

Convertible bonds

As of 31 December 2024, convertible bonds and related interests totalled RMB647.8 million, representing an increase of RMB53.4 million as compared to RMB594.4 million as of 31 December 2023. The increase in convertible bonds as of 31 December 2024 was mainly attributable to the interest incurred and the effect of change in exchange rate during the reporting period.

Lease liabilities

As of 31 December 2024, the total lease liabilities amounted to RMB103.8 million, representing a decrease of 32.9% as compared to RMB154.7 million as of 31 December 2023. Such decrease in lease liabilities was mainly attributable to the rent payment for existing lease and the closure of certain restaurants during the year ended 31 December 2024.

FUTURE PROSPECTS

Despite intense competition in the industry in 2024, the Company is of the view that the catering sector still possesses positive potential for long-term growth. The Group will continue to implement strategic plans and sustain development of core competencies to create value for shareholders, including but not limited to:

(i) stabilizing existing business, strive to turn losses into profits and achieve value transformation and cash inflows;

(ii) exploring incremental business opportunities by leveraging profound industry insights, resources and core competencies, to drive new business growth and propel the performance of the Group; and

(iii) building an ecosystem platform enterprise centered around new catering concepts.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2024 together with comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**474,209**	610,619
Other income	*4*	**21,307**	30,012
Raw material used and changes in inventories of finished goods		**(199,329)**	(232,710)
Online platform service charges and delivery fees		**(33,570)**	(39,204)
Employee benefit expense		**(144,108)**	(174,608)
Depreciation of right-of-use assets		**(55,684)**	(70,579)
Depreciation and amortisation of other assets		**(16,783)**	(22,637)
Utility expenses		**(17,499)**	(20,141)
Property rentals and other related expenses		**(14,682)**	(18,286)
Other expenses	*5*	**(51,479)**	(59,049)
Provision for of expected credit loss allowance for financial assets, net		**(2,358)**	(16,917)
Impairment of intangible assets	*10*	**(93,528)**	(95,299)
Other losses, net	*6*	**(2,964)**	(1,713)
Finance income		**228**	142
Finance expenses		**(7,909)**	(9,499)
Interest on convertible bonds	*14*	**(39,811)**	(37,815)
Share of (loss)/profit of associates		**(10,420)**	1,453
Impairment loss on investments in associates	*15*	**(71,385)**	(1,937)
Loss before taxation		**(265,765)**	(158,168)
Income tax credit/(expense)	*7*	**7,914**	(4,527)
Loss for the year	*8*	**(257,851)**	(162,695)
Loss for the year attributable to:			
Equity holders of the Company		**(241,826)**	(151,657)
Non-controlling interest		**(16,025)**	(11,038)
		(257,851)	(162,695)

	Note	Year ended 31 December **2024** *RMB'000*	2023 *RMB'000*
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,783)**	(2,480)
Other comprehensive loss for the year, net of tax		**(7,783)**	(2,480)
Total comprehensive loss for the year		**(265,634)**	(165,175)
Total comprehensive loss for the year attributable to:			
— Equity holders of the Company		**(249,609)**	(154,137)
— Non-controlling interests		**(16,025)**	(11,038)
		(265,634)	(165,175)
Loss per share for loss attributable to equity holders of the Company:			
Loss per share (RMB cents) — basic	*9*	**(15.32)**	(9.61)
Loss per share (RMB cents) — diluted	*9*	**(15.32)**	(9.61)

CONSOLIDATED BALANCE SHEET

At 31 December 2024

		As at 31 December	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**44,353**	60,182
Right-of-use-assets		**95,303**	148,968
Investments in associates	*15*	**153,759**	229,848
Goodwill	*10*	**45,495**	45,495
Intangible assets	*10*	**281,196**	375,451
Deferred tax assets		**18,757**	33,426
Other receivables	*11*	**9,112**	12,154
Other non-current assets		**961**	1,255
		648,936	906,779
Current assets			
Inventories		**23,335**	23,377
Trade and other receivables	*11*	**53,209**	67,916
Other current assets		**30,776**	36,788
Financial assets at fair value through profit or loss		**23,505**	36,121
Cash and cash equivalents		**21,325**	35,636
Restricted cash		**596**	1,744
		152,746	201,582
Total Assets		**801,682**	1,108,361

	Note	As at 31 December 2024 RMB'000	2023 RMB'000
Current liabilities			
Trade and other payables	*12*	**116,282**	143,789
Contract liabilities		**60,750**	61,956
Lease liabilities		**46,473**	59,089
Borrowings	*13*	**20,860**	11,000
Tax payable		**5,535**	5,546
Convertible bonds	*14*	**647,780**	16,602
		897,680	297,982
Non-current liabilities			
Convertible bonds	*14*	**—**	577,788
Lease liabilities		**57,344**	95,610
Deferred tax liabilities		**66,814**	90,196
Deferred government grants		**21**	32
		124,179	763,626
Total liabilities		**1,021,859**	1,061,608
Capital and reserves			
Share capital		**133,023**	133,023
Reserves		**(382,649)**	(133,040)
Deficit attributable to equity holders of the Company		**(249,626)**	(17)
Non-controlling interests		**29,449**	46,770
Total (deficit)/equity		**(220,177)**	46,753
Total liabilities and equity		**801,682**	1,108,361

Notes:

1 GENERAL INFORMATION

Best Food Holding Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are principally engaged in the operation of chain restaurants.

The Company is a public limited company incorporated in the Cayman Islands under the Companies Law (Revised) Chapter 22 of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong (the "**Stock Exchange**"). Its parent company is Sonic Tycoon Limited (the "**Parent Company**"), a company incorporated in British Virgin Islands ("**BVI**") and its ultimate holding company is Exponential Fortune Group Limited ("**Exponential Fortune**"), a company incorporated in the Cayman Islands. The ultimate controlling shareholder of Exponential Fortune is Zhao John Huan, who is also the Chairman of the Company. The address of the registered office of the Company is Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-111 Cayman Islands.

The functional currency of the Company is Hong Kong dollars ("**HK dollars**" or "**HK$**"), while the Company's primary subsidiaries are incorporated in the People's Republic of China (the "**PRC**") and these subsidiaries consider RMB as their functional currency. The consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1.1 Basis of preparation

The consolidated financial results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

The consolidated financial results have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which are measured at fair value.

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

2.1.2 Going concern

As of 31 December 2024, the Group's current liabilities exceeded its current assets by RMB744,934,000 (2023: RMB96,400,000). The significant increase in net current liabilities of RMB648,534,000 was mainly due to the reclassification of the convertible bonds (the "**Convertible Bonds**") due in one year (Note 14) to current liabilities as at 31 December 2024, which was issued by the Company to the Parent Company in 2018 with maturity date on 23 November 2025 (the "**Original Maturity Date**").

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. The Group has taken the following measures to mitigate liquidity pressure:

(1) The Parent Company issued a letter of support and a supplemental notice on 27 December 2024 and 27 March 2025, respectively, (collectively, the "**Parent Company Letter of Support**") to the Company in which the Parent Company (i) voluntarily agreed to extend the maturity date of the Convertible Bonds to 23 November 2027 (the "**Extended Maturity Date**") ; and (ii) irrevocably agreed not to demand the Company for redemption of all or part of the Convertible Bonds until the Extended Maturity Date. The Company is also in discussions with the Parent Company in relation to the proposed issuance of new convertible bonds to refinance the Convertible Bonds. The Company will issue further announcement(s) in this regard as and when appropriate in accordance with the Listing Rules. The directors of the Company believe the Company will not be requested to redeem the Convertible Bonds in the 12 months from 31 December 2024 in accordance with the Parent Company Letter of Support;

(2) For the purpose of maintaining adequate working capital for the Group's operations, the Group had obtained another letter of support (the "**Related Party Letter of Support**") from a related party which is a wholly-owned subsidiary of Exponential Fortune Group Limited, pursuant to which the related party confirms its intention to provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations in the 12 months from 31 March 2025; and

(3) The Group will continue to implement plans and measures to improve the operation performance of the chain restaurant business and control costs and expenses to generate operating cash inflow.

Management has prepared cashflow projections for not less than twelve months from 31 December 2024 in assessing whether the Group will have sufficient funds to fulfil its financial obligations and continue as a going concern. The Directors have reviewed the Group's cash flow projections prepared by management, also considering the abovementioned Parent Company Letter of Support and Related Party Letter of Support, the directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements for the next 12 months period commencing from 31 December 2024. Therefore, the financial statements have been prepared on the going concern basis.

2.1.3 Amended standards adopted by the Group

The Group has applied the following amendments and interpretation for the first time for the annual reporting period commencing 1 January 2024:

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

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

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings (including the liability component of a compound financial instrument) as below:

"Borrowings (including the liability component of a convertible instrument) are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period."

The amendments to HKAS 1 has also clarified what HKAS 1 aims to mean when it refers to 'settlement' of a liability. Under the amendments to HKAS 1, terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an 'equity instrument', which is the case for the Convertible Bonds issued by the Company. As a result, this new policy did not result in a change in the classification of the Convertible Bonds issued by the Company.

2.1.4 New or amended standards and annual improvements not yet adopted

Certain new or amended accounting standards and annual improvements have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the Group.

	Amendments and interpretations	**Effective date**
Amendments to HKAS 21	*Lack of Exchangeability*	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Annual Improvements to HKFRS Accounting Standards	*Volume 11*	1 January 2026
HKFRS 18	*Presentation and Disclosure in Financial Statements*	1 January 2027
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*	1 January 2027

These new or amended accounting standards and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, except for the adoption of HKFRS 18 for the reporting periods beginning on or after 1 January 2027.

Even though HKFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the consolidated statement of comprehensive income and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Group's consolidated financial statements.

3 REVENUE AND SEGMENT INFORMATION

The Company's executive directors are the chief operating decision maker (the "**CODM**"). The CODM periodically reviews the Group's internal report in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

During the years ended 31 December 2024 and 2023, the CODM focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented.

Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Restaurant operation	**213,244**	321,254
Delivery business	**168,593**	213,377
Sale of food ingredients	**92,372**	75,988
	474,209	610,619

The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of revenue. Also, none of the Group's non-current assets is located outside the PRC. Accordingly, no geographical information is presented.

The Group has a large number of customers. For the years ended 31 December 2024 and 2023, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

4 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Franchise income	**14,894**	13,724
Consulting services	**1,847**	—
Investment income on wealth management products *(b)*	**772**	1,105
Interest income on loans	**340**	381
Government grants *(a)*	**232**	11,647
Others	**3,222**	3,155
	21,307	30,012

Notes:

(a) For the year ended 31 December 2024, there were no unfulfilled conditions or other contingencies attaching to these government grants. Government grants relating to costs were deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(b) For the year ended 31 December 2024, investment income on wealth management products included realized gains of RMB253,000 (2023: RMB525,000) and unrealized gains of RMB519,000 (2023: RMB580,000), both of which were recorded as "other income" in the consolidated statements of comprehensive income.

5 OTHER EXPENSES

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Daily maintenance expenses	**12,522**	15,950
Business development expense	**9,482**	11,976
Advertising and marketing expenses	**6,303**	8,777
Professional fees	**6,269**	5,020
Impairment of property, plant and equipment	**1,733**	3,004
Impairment of right-of-use assets	**5,369**	2,548
Auditors' remuneration		
— Audit services	**1,800**	1,950
— Non-audit services	**118**	153
Other expenses	**7,883**	9,671
Total other expenses	**51,479**	59,049

6 OTHER LOSSES, NET

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
(Loss)/gain on disposal of right-of-use assets — net	**(450)**	3,581
Loss on disposal of property, plant and equipment — net	**(1,912)**	(3,200)
Loss on closure of restaurants — net	**(163)**	(666)
Net exchange loss	**(127)**	(171)
Others	**(312)**	(1,257)
	(2,964)	(1,713)

7 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current income tax		
Withholding income tax in relation to dividends received from a subsidiary and an associate	**743**	339
PRC enterprise income tax ("**EIT**")	**56**	71
	799	410
Deferred tax	**(8,713)**	4,117
	(7,914)	4,527

Cayman Islands

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2023: 16.5%).

The PRC

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Withholding income tax

During the year ended 31 December 2024, Wonderful Dawn Holdings Limited, a wholly owned subsidiary of the Company incorporated in Hong Kong, received dividends from a subsidiary in the PRC which is subject to withholding tax at the rate of 10%.

During the year ended 31 December 2023, Wonderful Dawn Holdings Limited, received dividends from an associate which is incorporated in the PRC. The taxable income is subject to withholding tax at the rate of 10%.

8 LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging/(crediting):

	For the Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**55,684**	70,579
Depreciation of property, plant and equipment	**16,117**	21,220
Amortization of intangible assets	**666**	1,417
Total depreciation and amortization	**72,467**	93,216
Property rentals		
— office premises (fixed payments)	**1,452**	438
— restaurants		
— fixed payments	**3,513**	9,737
— variable lease payments	**282**	2,227
— COVID-19-related rent concessions	**—**	(6,713)
Property management fee	**9,435**	12,597
Total property rentals and other related expenses	**14,682**	18,286
Impairment of goodwill and other intangible assets *(Note 10)*	**93,528**	95,299
Auditor's remuneration		
— Audit service	**1,800**	1,950
— Non-audit services	**118**	153

9 LOSS PER SHARE

	Year ended 31 December	
	2024	2023
	RMB cents	*RMB cents*
Basic loss per share *(a)*	**(15.32)**	(9.61)
Diluted loss per share *(b)*	**(15.32)**	(9.61)

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2024	2023
Loss attributable to equity holders of the Company used in calculating basic loss per share (RMB'000):	**(241,826)**	(151,657)
Weighted average number of ordinary shares in issue (thousands)	**1,578,664**	1,578,664

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under convertible bonds, share option scheme and share award scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The computation of diluted loss per share for the years ended 31 December 2024 and 2023 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

10 GOODWILL AND INTANGIBLE ASSETS

	Goodwill *RMB'000*	Computer software *RMB'000*	Trademarks *RMB'000*	Total *RMB'000*
At 1 January 2023				
Cost	580,931	12,031	499,346	1,092,308
Accumulated amortisation and impairment	(535,436)	(7,552)	(31,019)	(574,007)
Net book amount	45,495	4,479	468,327	518,301
Year ended 31 December 2023				
Opening net book amount	45,495	4,479	468,327	518,301
Additions	—	85	—	85
Disposal	—	(724)	—	(724)
Amortisation charge	—	(1,417)	—	(1,417)
Impairment	—	—	(95,299)	(95,299)
Closing net book amount	45,495	2,423	373,028	420,946
At 31 December 2023				
Cost	580,931	11,392	499,346	1,091,669
Accumulated amortisation and impairment	(535,436)	(8,969)	(126,318)	(670,723)
Net book amount	45,495	2,423	373,028	420,946
Year ended 31 December 2024				
Opening net book amount	45,495	2,423	373,028	420,946
Additions	—	95	—	95
Disposal	—	(156)	—	(156)
Amortisation charge	—	(666)	—	(666)
Impairment	—	—	(93,528)	(93,528)
Closing net book amount	45,495	1,696	279,500	326,691
At 31 December 2024				
Cost	580,931	11,331	499,346	1,091,608
Accumulated amortisation and impairment	(535,436)	(9,635)	(219,846)	(764,917)
Net book amount	45,495	1,696	279,500	326,691

(a) Useful life of intangible assets

Computer software is amortised on a straight-line basis over the expected useful life of 5 years.

The trademarks have a legal life of 10 years and is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends and brand extension opportunities have been performed by management of the Group, which support that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. The trademarks will not be amortised until the useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

(b) Impairment tests for goodwill and trademarks

For the purposes of impairment testing, goodwill and trademarks with indefinite useful life have been allocated to the cash generating units ("**CGUs**") of the relevant group of restaurants, which comprise: (1) Beijing HHG Restaurant Management Co., Ltd. ("**HHG**") and its subsidiaries (the "**HHG Group**"); and (2) Beijing Xinladao Catering Management Ltd. ("**Xinladao**") and its subsidiaries (the "**Xinladao Group**").

As at 31 December 2024, management has conducted impairment review on the goodwill and trademarks with indefinite useful life of the HHG Group and the Xinladao Group in accordance with HKAS 36 "Impairment of assets", based on the updated forecasts and assumptions approved by management.

(i) *Impairment assessment for the HHG Group*

For the HHG Group, the value-in-use ("**VIU**") calculation used cash flow projections based on financial forecast approved by management covering a five-year period. Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management's calculation, the VIU of the HHG Group as at 31 December 2024 amounted to approximately RMB291 million (2023: RMB358 million), which was 6.7% (2023: 13.8%) higher than its carrying amount. Key assumptions used to determine the CGUs' VIU included revenue compound growth rate and gross margins during the forecast period, long-term growth rate and pre-tax discount rate.

In addition to the assessment of VIU, management also assessed the FVLCOD of the HHG Group with the assistance of the independent external valuer. Based on management's calculation, the FVLCOD of the HHG Group as at 31 December 2024 amounted to approximately RMB281 million, which was 9.5% higher than its corresponding carrying amount under this approach. The approach used to determine the FVLCOD of the HHG Group as at 31 December 2024 was the market approach and key assumptions included enterprise value to sales multiple of selected comparable public companies, discount for lack of marketability ("**DLOM**"), control premium and cost of disposal.

Based on above assessment, since both VIU and FVLCOD of the HHG Group are higher than its carrying amount, management of the Company is of the view that there is no impairment of goodwill and intangible assets with indefinite useful life for the HHG Group as at 31 December 2024.

(ii) *Impairment assessment for the Xinladao Group*

For the Xinladao Group, management had determined the recoverable amount of the CGUs by assessing the FVLCOD of the underlying assets as at 31 December 2024 and 2023. The valuation was considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management engaged an independent external valuer to assist in performing the impairment assessments. The approach used to determine the FVLCOD of the Xinladao Group as at 31 December 2024 and 2023 was the market approach and key assumptions included enterprise value to sales multiple of selected comparable public companies, DLOM, control premium and cost of disposal.

Based on the above approach and key assumptions, the FVLCOD of the Xinladao Group amounted to RMB25 million (2023: RMB116 million) and was 78.9% (2023: 45.1%) lower than its carrying amount. The significant decrease of FVLCOD as at 31 December 2024 was mainly due to the combination of (i) the decrease of revenue for the year as a result of the closure of restaurants and the underperformance of certain restaurants; and (ii) the decrease in the enterprise value to sales multiples of comparable companies.

As to the VIU calculations of the Xinladao Group as at 31 December 2024 and 2023, management used cash flow projections based on financial forecast approved by management covering a five-year period from year 2025 to 2029 (2023: a five-year period from year 2024 to 2028). The key assumptions adopted in the VIU calculations included revenue compound growth rate and gross margins during the forecast period, long-term growth rate and pre-tax discount rate.

Based on above assessment, the amount of impairment loss as calculated under the VIU calculation is higher than that calculated using the FVLCOD. As a result, management of the Company is of the view that impairment losses of RMB93.5 million, being the difference of the FVLCOD of the Xinladao Group and its carrying amount under this approach, are recognised for trademarks with indefinite useful life for the Xinladao Group as at 31 December 2024 (2023: RMB95.3 million).

11 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables *(a)*	**9,414**	11,327
Other receivables	**85,326**	98,803
Total trade and other receivables	**94,740**	110,130
Less: provision for expected credit loss allowance for trade receivables	**(1,694)**	(959)
provision for expected credit loss allowance for other receivables	**(30,725)**	(29,101)
Trade and other receivables — net	**62,321**	80,070
Less: Non-current portion	**(9,112)**	(12,154)
Trade and other receivables — current portion	**53,209**	67,916

(a) Trade receivables

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Related parties	**2,274**	1,708
Third parties	**7,140**	9,619
Subtotal	**9,414**	11,327
Less: provision for expected credit loss allowance	**(1,694)**	(959)
Trade receivables — net	**7,720**	10,368

The aging analysis of trade receivables based on the invoice date at the end of the reporting period is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 6 months	**5,304**	9,652
Over 6 months	**4,110**	1,675
	9,414	11,327

Movement for expected credit loss allowance

	During the year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
As at 1 January	**959**	361
Provision for expected credit loss allowance	**735**	598
Written off during the year as uncollectible	**—**	—
As at 31 December	**1,694**	959

12 TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 30 to 180 days.

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade payables *(a)*	**36,649**	48,817
Other payables and accruals	**79,633**	94,972
	116,282	143,789

(a) Trade payables

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Related parties	**6,220**	8,870
Third parties	**30,429**	39,947
	36,649	48,817

The aging analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Within 6 months	**20,675**	42,961
Over 6 months	**15,974**	5,856
	36,649	48,817

13 BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current		
Guaranteed		
Bank borrowings *(c)*	**1,600**	1,000
Unsecured		
Bank borrowings	**10,000**	10,000
Loans from a related party	**9,260**	—
Total borrowings	**20,860**	11,000

(a) Maturity of borrowings

At 31 December, the Group's borrowings were repayable as follows:

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
12 months or less	**20,860**	11,000

(b) Weighted average annual interest rates

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bank borrowings	**5.16%**	3.06%

(c) As at 31 December 2024, bank borrowings of RMB1,600,000 were guaranteed by a third party (31 December 2023: RMB1,000,000).

14 CONVERTIBLE BONDS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Current		
Convertible bonds — due within one year	**647,780**	16,602
Non-current		
Convertible bonds	**—**	577,788

As at 31 December 2023, current portion of the Convertible Bonds amounted to HK$18,320,000 (equivalent to approximately RMB16,602,000), which represented interest payable due on 23 November 2024 and was calculated at the coupon rate of 3% per annum (the "**2024 Due Interest**"). On 20 November 2024, the Parent Company sent a notice to the Company, in which the Parent Company agreed to postpone the payment date of the 2024 Due Interest to 23 November 2025.

As at 31 December 2024, all of the carrying amounts of the Convertible Bonds were classified as current liabilities considering that the Original Maturity Date is within 12 months from the balance sheet date (Note 2.1.2).

The major terms and conditions of the Convertible Bonds are as follows:

(i) Interest rate:

The Company shall pay an interest on the Convertible Bonds at 3% per annum.

(ii) Conversion price:

The Convertible Bonds will be convertible into the Company's shares at the initial conversion price of HK$1.18 per share, subject to adjustments. The conversion price will be subject to adjustment for, amongst others, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserves, capital distribution, dividends, rights issues of shares or options over shares, rights issues of other securities, modification of rights of conversion and other offers to shareholders.

(iii) Availability period for the Company to issue the Convertible Bonds

The availability period for the Company to issue the Convertible Bonds is a fixed term of two years commencing from 13 November 2016 and neither party will have the right to extend.

(iv) Maturity

The fifth anniversary of the date of issue of the Convertible Bonds, or subject to the agreement of the bondholder, the seventh anniversary of the date of issue.

On 19 December 2022, the Company sent a notice to the Investor and obtained the consent from the Investor thereon, pursuant to which the Company and the Investor agreed that the maturity date of the Convertible Bonds be extended to the seventh anniversary of the date of issue (i.e. from 23 November 2023 to 23 November 2025).

(v) Redemption on maturity

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds at an amount equal to the principal amount on the maturity date, plus accrued interest and all other amounts accrued or outstanding under the Convertible Bonds which remain unpaid on the maturity date. The Company may not redeem the Convertible Bonds at its option prior to the maturity date, except on redemption on change of control and redemption on delisting as described below.

(vi) Redemption at the option of the bondholder

(1) ***Redemption on change of control***

Following the occurrence of a change of control, the bondholder will have the right at its option, to require the Company to redeem in whole but not in part such holder's Convertible Bonds. The redemption price is the HK dollar equivalent amount which is the outstanding principal amount, plus the amount of interest representing 8% of the internal rate of return of the principal amount of the Bond from the date of issue to the payment date (the "**Early Redemption Amount**").

(2) ***Redemption on Delisting***

In event that the Company's shares cease to be listed or admitted to trading on the Hong Kong Stock Exchange, the bondholder shall have the right, at its option, to require the Company to redeem, in whole but not in part only, such bondholder's Convertible Bonds at the Early Redemption Amount.

The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond at the issue date. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity on special reserve.

The movement in the components of the Convertible Bonds during the years ended 31 December 2023 and 2024 are as follows:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
As at 1 January 2023	548,390	104,294	652,684
Interest expenses *(a)*	37,815	—	37,815
Exchange difference	8,185	—	8,185
As at 31 December 2023	594,390	104,294	698,684
As at 1 January 2024	**594,390**	**104,294**	**698,684**
Interest expenses *(a)*	**39,811**	**—**	**39,811**
Exchange difference	**13,579**	**—**	**13,579**
As at 31 December 2024	**647,780**	**104,294**	**752,074**

Notes:

(a) The interest expense of RMB39,811,000 (2022: RMB37,815,000) was calculated using the effective interest method.

(b) During the years ended 31 December 2024 and 2023, none of the Convertible Bonds was converted.

15 INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2024 ***RMB'000***	2023 *RMB'000*
At 1 January	**229,848**	249,104
Additions	**90**	—
Share of (loss)/profit for the year	**(10,420)**	1,453
Dividends received	**—**	(3,432)
Disposal upon capital reduction	**—**	(19,625)
Impairment *(Note)*	**(71,385)**	(1,937)
Currency translation differences	**5,626**	4,285
At 31 December	**153,759**	229,848

Note:

The Group determines whether interests in the investments accounted for using the equity method are impaired by regularly reviewing whether there are any indications of impairment in accordance with relevant accounting standards.

When impairment indicators of the investments accounted for using the equity method were identified, management determined the recoverable amounts by assessing the higher of the FVLCOD and VIU of the investments. The valuation of FVLCOD is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

For the year ended 31 December 2024, the management engaged an independent external valuer to assist in performing the impairment assessments on the investments in two associates with impairment indicators, including but not limited to the deterioration of their business performances and the corresponding financial performance and financial condition. The management assessed the FVLCOD of these two investments as at 31 December 2024 using the market approach and key assumptions included enterprise value to sales multiple of selected comparable public companies, DLOM and cost of disposal.

In addition, management also assessed the VIU of these two investments in associates. The estimated cash flows projection used in the assessments were based on key assumptions, including pre-tax discount rate, long-term growth rate, forecasted revenue growth rates and gross margins during the 5-year forecast period, which are determined with reference to the business plans and prevailing market conditions.

Based on the assessment above, the recoverable amounts were both determined by the FVLCOD which were lower than their carrying amounts, respectively. Thus, the Group recognised RMB71.4 million impairment provision of these investments accordingly.

16 DIVIDENDS

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

17 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 31 December 2024 and up to the date of approval of the consolidated financial statements, no important event affecting the Group had occurred.

FINAL DIVIDEND

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total decifit of the Group as at 31 December 2024 was RMB220.2 million (31 December 2023: total equity of RMB46.8 million). As at 31 December 2024, the Group had current assets of RMB152.7 million (31 December 2023: RMB201.6 million) and current liabilities of RMB897.7 million (31 December 2023: RMB298.0 million). The current ratio was 0.17 as at 31 December 2024 as compared to 0.68 as at 31 December 2023.

The Group generally finances its operations and possible redemption with internally generated cash flow, bank borrowings and convertible bonds. As at 31 December 2024, the Group had outstanding borrowings of RMB20.9 million (31 December 2023: RMB11.0 million). As at 31 December 2024, the Group maintained cash and cash equivalents of RMB21.3 million (31 December 2023: RMB35.6 million). The Group's net cash-to-equity ratio (being cash and cash equivalents net of total borrowings over shareholders' deficit/equity) was –0.002 as at 31 December 2024 (31 December 2023: 0.53).

As at 31 December 2024, the Group had outstanding convertible bonds of RMB647.8 million (31 December 2023: RMB594.4 million). Please refer to note 2.1.2 and note 14 to the consolidated financial results of the Company in this announcement for further details.

The Group's ability to meet its commitments and working capital requirements is supported by its future operating cash flow generation capacity and financing facilities. The Directors have reasonable expectation that the Group will maintain sufficient liquidity. The parent company support to extend the maturity date of the Convertible Bonds and will not demand redemption prior to the extended maturity date; and the related party financing commitment in terms of a letter of support was provided to ensure the Group's operational continuity by supplying financial resources as needed. By enabling the Group to settle liabilities and avoid operational curtailments, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements for the next 12-month period commencing from 31 December 2024.

The capital structure of the Group consists of debts, which include convertible bonds, lease liabilities and borrowings, and equity attributable to equity holders of the Company, comprising share capital and reserves.

CAPITAL COMMITMENTS

As at 31 December 2024, the Group had no capital expenditure contracted for but not provided in the consolidated financial results in respect of property, plant and equipment (31 December 2023: nil).

SIGNIFICANT INVESTMENTS

As of 31 December 2024, the significant investments held by the Group were the investments in Guangzhou Yujian Xiaomian Catering Management Company Limited ("**Yujian Xiaomian**") and Tianshuilai (Beijing) Catering Trade Management Co. Ltd ("**Tianshuilai**"), of which the individual carrying amount of such investments was more than 5% of the Group's total assets.

Yujian Xiaomian is a Chinese fast-food chain brand specializing in Sichuan-Chongqing style noodles and snacks. Its signature dish, Chongqing noodles, is complemented by a variety of regional specialties such as Sichuan snacks, braised meats, desserts and beverages, positioning itself as an affordable, mass-market fast-food option. As of 2024, the brand has expanded its network to over 300 stores nationwide, primarily focusing on first-tier and new first-tier cities while gradually expanding into second and third-tier cities. Its outlets are strategically located across diverse commercial settings, including shopping malls, transportation hubs and residential communities, ensuring broad accessibility and convenience.

Tianshuilai, operating the renowned "King of Clay Pot" claypot rice brand, specializes in freshly prepared multi-flavor clay pot rice, served alongside slow-cooked soups and side dishes to focus on improving product satisfaction. The brand continuously refines its product offerings and store models, leveraging economies of scale to drive supply chain efficiency improvements and achieve cost reduction and operational efficiency. As of 2024, the company has expanded its footprint to over 200 stores nationwide, primarily operating through direct-owned stores. Its strategic presence focuses on first-tier and new first-tier cities, with gradual penetration into high-consumption second-tier cities to capture growing demand for premium dining experiences.

In recent years, the Group has established a multi-brand investment matrix based on cross-region, cross-sector and multiple business forms. The Group has implemented internal control measures to ensure effective monitoring of its investments. With a focus on generating investment returns and enhancing value, the Group is committed to leverage the platform synergy to support the growth of associates' businesses across diverse catering categories.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2024.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group currently has no definite plans for material investments and capital assets as at the date of this announcement.

CHARGE ON ASSETS

As at 31 December 2024 and 31 December 2023, there was no charge over the assets of the Group.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio was 152% (31 December 2023: 92%). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and convertible bonds as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "deficit/equity" as shown in the consolidated balance sheet plus net debt.

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are principally conducted in HK dollars and RMB which are exposed to foreign currency risk with respect to transactions denominated in currencies other than HK dollars and RMB. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended 31 December 2024 (2023: nil).

HUMAN RESOURCES

As at 31 December 2024, the Group had a workforce of about 1,582 people (2023: about 1,779 people). The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staff are remunerated based on their work performance, professional experience and prevailing market situation.

Remuneration packages comprise salary and bonuses based on individual merits. In addition, the Company had adopted a share award scheme on 11 November 2019 to provide incentives to the employees of the Group and to recognise their contributions to the Group (including sale of treasury shares).

As at 31 December 2024, the Company did not hold any treasury shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2024, the Company had complied with the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in force.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code. The Company has made specific enquiry with all Directors and they have confirmed that they have complied with the Model Code throughout the year ended 31 December 2024.

AUDIT COMMITTEE

The audit committee of the Company, comprising all the independent non-executive Directors of the Company, has reviewed the audited annual results of the Group for the year ended 31 December 2024 and discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

ANNUAL REPORT

This results announcement is published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.bestfoodholding.com). The annual report of the Company for the year ended 31 December 2024 will be made available to the shareholders of the Company on websites of the Stock Exchange and the Company in due course.

By Order of the Board
Best Food Holding Company Limited
Zhao John Huan
Chairman

Hong Kong, 31 March 2025

As at the date of this announcement, the Board of the Company comprises three executive Directors, namely, Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Jing Shen and three independent non-executive Directors, namely, Mr. Leung Kwai Kei, Mr. Lo Wei-Ren and Ms. Zhuo Ping.