

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



## **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 2023**

### **HIGHLIGHTS OF ANNUAL RESULTS**

- The revenue for the year ended 31 December 2023 was RMB6,094.1 million, representing a year-on-year decrease of 15.0%.
- The gross profit for the year ended 31 December 2023 was RMB1,350.9 million, representing a year-on-year increase of 8.2%. The gross profit margin for the year ended 31 December 2023 was 22.2%, compared to 17.4% in the same period of last year.
- The net profit for the year ended 31 December 2023 was RMB263.4 million, representing a year-on-year increase of 9.3%.
- The adjusted net profit (Non-IFRS measure)<sup>Note</sup> for the year ended 31 December 2023 was RMB318.0 million, representing a year-on-year increase of 23.8%.
- The basic and diluted earnings per share for the year ended 31 December 2023 was RMB0.0894 and RMB0.0894, representing a year-on-year increase of 0.7% and 2.1%.
- The Board has resolved to recommend a final dividend of RMB0.0521 per share for the year ended 31 December 2023 (2022: Nil).

*Note:*

Adjusted net profit is defined as net profit for the year of the Group after adjusting for (i) share-based payment expenses; and (ii) listing expenses which are not indicative of the Group's business performance. This 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 2023 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards, together with the comparative figures for the corresponding period in 2022. 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.

Despite the challenging and uncertain economic environment in 2023, the Group’s retail store network continued to expand. As at 31 December 2023, the Group has a total of 10,307 retail stores in 31 provinces, autonomous regions and municipalities across China.

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

	<b>As at 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Number of stores</b>	<b>%</b>	Number of stores	<b>%</b>
Franchised stores	<b>10,300</b>	<b>99.9</b>	9,216	99.9
Self-operated stores	<b>7</b>	<b>0.1</b>	5	0.1
<b>Total</b>	<b>10,307</b>	<b>100.0</b>	9,221	100.0

The table below sets forth the revenue breakdown by channels in amounts of the Group for the periods indicated:

	<b>Year ended 31 December</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
<b>Sales of home meal products and related products</b>				
Sales to franchisees	<b>5,365,567</b>	<b>90.3</b>	6,476,687	91.8
Other sales channels <sup>(1)</sup>	<b>574,951</b>	<b>9.7</b>	582,087	8.2
<b>Total</b>	<b><u>5,940,518</u></b>	<b><u>100.0</u></b>	<b><u>7,058,744</u></b>	<b><u>100.0</u></b>

*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 increase of the Group's revenue, market share and brand recognition. The Group believed the effective and systematic management of our franchisees was critical to the success of our business. The Group considered each franchised store a conveyance of our business philosophy and brand image. Therefore, the Group valued 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 strived to continuously support and empower our franchisees while providing comprehensive training for franchisees and their employees in terms of both store operations and business development, 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 efficiently and 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. In 2023, through livestreaming and posting of related short-form videos for Guoquan's products on its multi-level Douyin accounts, the Group gained a total exposure of over six billion times. Through the spread of popular social media commerce platforms, the Group interacted more with vendors.

The Group's membership program built close online and offline connections and engagement with consumers and fostered consumer loyalty. As at 31 December 2023, the number of the Group's registered members reached approximately 27.9 million. The Group continued to enhance the prepaid cards program. The value stored in prepaid cards for the year ended 31 December 2023 was approximately RMB0.72 billion, representing a year-on-year increase of 18%.

### ***Home meal products brand and product portfolio***

The Group's business philosophy is centered on providing convenient, high quality home meal products with great value-for-money to consumers. This caters to consumers' heightened cost-consciousness and demand for taste and quality when choosing home meal products, as dining at home become an increasingly frequent consumption scenario.

The Group is committed to enhancing the efficiency of at-home food preparation. 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. Home dining products 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 and paste, meat, vegetables, beverages, pots and grills, etc.

The Group has created a diversified product portfolio in terms of both product categories as well as the consumption scenarios it serves. Consumers can create different combinations of our products to serve their taste preferences and eating habits. As at 31 December 2023, the Group's product portfolio comprises eight categories including hotpot products, barbecue products, beverages, solo-dining meals, ready-to-cook meal kits, fresh produce, western cuisines and snacks.

Leveraging our profound consumer insights and R&D efforts, the Group constantly enriched the diversity of our product portfolio catering to the evolving consumer demands and preference through close collaboration with our suppliers and our R&D centers. The Group was customer-driven and adopted a C2F approach with respect to our product development. Based on the Group's regular consumer surveys, consumer feedback and market trend analysis, the Group would launch new products and upgrade existing products from time to time. The Group also regularly launched products for local markets catering to diverse consumer preferences in different geographical areas. The Group launched 339 new SKUs in 2023.

### ***Streamlined supply chain management and operation***

We operated under a streamlined and highly efficient supply chain from production facilities to third-party central warehouses and further to retail stores, eliminating redundant intermediate parties in the supply chain, thereby optimizing cost to offer affordable products to franchisees and consumers. Partnering with third-party providers, we achieved next day delivery from third-party warehouses to stores for most orders. Moreover, the Group's nationwide retail network generated a large demand from consumers across China, giving rise to large scale procurement needs which has given us 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 supply chain system also contributed to the high quality and safety of our products with cost advantages. The Group has maintained a stable, mutually complementary relationship with upstream suppliers. 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. As at 31 December 2023, the Group had three food ingredient production plants, 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, and had made investments in one of our suppliers, Daixiaji (逮蝦記) for the production of our shrimp paste products, in order to have better control of the production and supply of our major products. 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 and great value-for-money to consumers.

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 2023, the Group leveraged 15 digitalized central warehouses across China in cooperation with third-party warehousing and logistics providers, achieving swift circulation of products through digital stock and barcode management.

## **Business Outlook**

### ***Expand and deepen the omni-channel sales network to further direct reach to consumers***

The Group plans to strengthen the depth and breadth of its offline store network by deepening market penetration in regions already covered, expanding the store network to new regions, and covering more cities in the PRC with more diverse store types.

The Group also plans to further develop its online sales platforms including third-party food delivery platforms, Guoquan APP, WeChat mini-program and Douyin, enhance its all-in-one stores initiative to upgrade its brick-and-mortar stores into offline-to-online hubs and satellite warehouses to provide a seamless shopping experience, and expand the offered product portfolio beyond the constraints of retail space of physical stores. After consumers place online orders, products will be shipped to the nearest offline stores for pickup by consumers. This mutually empowering offline-to-online integration and the additional function of offline stores as satellite warehouses would thereby drive the increase of online and offline store sales, and in turn the revenue.

Moreover, 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 expanding to more product categories, upgrading its product portfolio, and developing more online leads. Going forward, the Group will continue to optimize its internal training system and strengthen franchisee and store manager organizations to facilitate the sharing of management experience amongst them, thereby continuously improving store performance.

### ***Continually extend to more consumption scenarios to further cater to consumer needs***

The Group aims to create a more diverse product portfolio by actively expanding its product categories and combinations to meet consumers' needs with different consumption scenarios and dining habits, thereby generating more revenue and increasing the Group's market share. The Group will continue to explore campsite dining as a new consumption scenario, especially for the Group's barbecue products, to further expand its scope of business to fulfill campsite dining needs in a one-stop manner. Leveraging its strong supply chain capabilities, the Group plans to explore additional sales channel to enterprise customers and strengthen the regional supply chain of home meal products to provide more regional meal products and cater to consumer needs.

### ***Strengthen our R&D capability and upstream supply chain to expand product offerings to reinforce core competitive edges of products***

The Group intends to enhance its R&D capability, enrich its product offerings and create tasty, convenient and value-for-money specialties. To this end, the Group plans to increase investment in R&D centers and continue to collaborate with upstream suppliers to improve its R&D and innovation capability. The Group intends to optimize and upgrade its existing products by continually adjusting its production processes according to consumer feedback. The Group plans to develop more new products including developing more products with localized features to meet local preferences. For its core products such as beef and lamb, meatballs, shrimp pastes and hotpot seasoning, 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 further integrate its upstream resources and source quality food ingredients through investment in or partnerships with selective and qualified Chinese and overseas food suppliers who have market potential and can achieve synergy with the Group.

### ***Enhance digitalization to continuously increase overall operational efficiency and revenue***

The Group also plans to further enhance procurement and fulfillment management platforms to better enable synchronization of inventory turnover data and inventory management. This will also enable the accurate monitoring of product demand and freshness, thereby lowering fulfillment costs and reinforcing product quality control. The Group will continue to advance the development of its membership system and grow its membership base through precision marketing and optimized membership benefit program. The Group will also strengthen its insights into consumer behavior to offer the most suitable marketing, services, and products, thus increasing members' activity and stickiness.

### ***Continue to enhance our brand image and marketing efforts to increase consumer reach and stickiness***

The Group will further invest in brand building and marketing to reinforce brand awareness, and increase brand recognition, reputability and consumer loyalty. The Group will further deepen its consumer reach through high-profile TV commercials, offline advertisements, community group buys and social commerce platforms.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the consolidated financial performance of the Group for the year ended 31 December 2023 and comparative figures for the year ended 31 December 2022:

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
<b>Revenue</b>	<b>6,094,104</b>	7,173,457
Cost of sales	<u>(4,743,163)</u>	<u>(5,924,496)</u>
<b>Gross profit</b>	<b>1,350,941</b>	1,248,961
Other income and gains, net	<b>104,915</b>	121,460
Selling and distribution expenses	<b>(578,820)</b>	(624,577)
Administrative expenses	<b>(497,235)</b>	(403,686)
Other expenses	<b>(8,652)</b>	(2,968)
Finance costs	<b>(5,432)</b>	(2,564)
Impairment losses on financial assets	<b>(2,292)</b>	(4,584)
<b>Profit before tax</b>	<b>363,425</b>	332,042
Income tax expense	<u><b>(100,023)</b></u>	<u>(91,060)</u>
<b>Net profit for the year</b>	<u><b>263,402</b></u>	<u>240,982</u>
Net profit attributable to		
Owners of the parent	<b>239,636</b>	229,907
Non-controlling interests	<u><b>23,766</b></u>	<u>11,075</u>

### Revenue

The following table sets forth our revenue breakdown by nature and channel in absolute amounts and as percentages of our total revenue for the years ended 31 December 2022 and 2023:

	Year ended 31 December			
	2023		2022	
	RMB'000	%	RMB'000	%
<b>Sales of home meal products and related products</b>	<b>5,940,518</b>	<b>97.5</b>	7,058,774	98.4
Sales to franchisees	<b>5,365,567</b>	<b>88.1</b>	6,476,687	90.3
Other sales channels	<b>574,951</b>	<b>9.4</b>	582,087	8.1
<b>Service income</b>	<u><b>153,586</b></u>	<u><b>2.5</b></u>	<u>114,683</u>	<u>1.6</u>
<b>Total</b>	<u><b>6,094,104</b></u>	<u><b>100.0</b></u>	<u>7,173,457</u>	<u>100.0</u>

The Group's total revenue decreased by approximately 15.0% from RMB7,173.5 million for the year ended 31 December 2022 to RMB6,094.1 million for the year ended 31 December 2023.

Revenue from sales of home meal products and related products accounted for the majority of the Group's total revenue, representing 98.4% and 97.5% of the total revenue in 2022 and 2023, respectively. Such revenue decreased by approximately 15.8% from RMB7,058.8 million for the year ended 31 December 2022 to RMB5,940.5 million for the year ended 31 December 2023, mainly due to the significant impact from the domestic and international economic situations in 2023, as well as the temporarily increasing in the number of consumers going out for dining as the epidemic subsided. Service income increased by approximately 33.9% from RMB114.7 million for the year ended 31 December 2022 to RMB153.6 million for the year ended 31 December 2023, mainly due to the increase in the number of franchised stores of the Group.

### **Cost of Sales**

Cost of sales decreased by approximately 19.9% from RMB5,924.5 million for the year ended 31 December 2022 to RMB4,743.2 million for the year ended 31 December 2023, mainly due to the decrease in the cost of inventories sold as a result of the decrease in product sales volume.

### **Gross Profit and Gross Profit Margin**

Gross profit increased by 8.2% from RMB1,249.0 million for the year ended 31 December 2022 to RMB1,350.9 million for the year ended 31 December 2023, the gross profit margin improved from 17.4% for the year ended 31 December 2022 to 22.2% for the year ended 31 December 2023, mainly due to the better cost control ability brought by the advantages of scale and the additional gross profit generated by the development of new products and the upgrade of the original products, as well as the increase in the proportion of self-production after the acquisition of the factories.

### **Other Income and Gains, Net**

Other income and gains, net, decreased by 13.6% from RMB121.5 million for the year ended 31 December 2022 to RMB104.9 million for the year ended 31 December 2023, mainly due to the decrease in unrealized fair value gains on financial assets at fair value through profit or loss, mainly representing our wealth management products and unlisted convertible redeemable preferred shares.

### **Selling and Distribution Expenses**

Selling and distribution expenses decreased by 7.3% from RMB624.6 million for the year ended 31 December 2022 to RMB578.8 million for the year ended 31 December 2023, mainly due to the decrease in revenue, partially offset by the increase in selling and distribution expenses of the acquired factory.

## **Administrative Expenses**

Administrative expenses increased by 23.2% from RMB403.7 million for the year ended 31 December 2022 to RMB497.2 million for the year ended 31 December 2023, mainly due to the increase in the Group's listing expenses and the increase in administrative expenses for the acquired factory during the year.

## **Profit Before Tax**

As a result of the foregoing, the Group recorded a profit before income tax of RMB363.4 million for the year ended 31 December 2023, representing an increase of approximately 9.5% from RMB332.0 million for the year ended 31 December 2022.

## **Income Tax Expense**

Income tax expense increased by approximately 9.8% from RMB91.1 million for the year ended 31 December 2022 to RMB100.0 million for the year ended 31 December 2023, mainly due to the increase in the Group's taxable income.

## **Profit for the Year**

As a result of the foregoing, the Group's net profit increased by approximately 9.3% from RMB241.0 million for the year ended 31 December 2022 to RMB263.4 million for the year ended 31 December 2023. The Group's net profit margin increased from 3.4% for the year ended 31 December 2022 to 4.3% for the year ended 31 December 2023.

## **Non-IFRS Measures**

To supplement the Group's consolidated financial information prepared and presented in accordance with International Financial Reporting Standards ("IFRSs"), 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: (i) share-based payment expenses; and (ii) listing expenses. Listing expenses refer to the expenses relating to the global offering of the shares of the Company (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 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).

	<b>Year ended 31 December</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Net profit for the year (as reported under IFRSs)	<b>263,402</b>	240,982
Adjusted for:		
Share-based payment expenses	–	4,604
Listing expenses	<b>54,570</b>	11,199
Adjusted net profit for the year (non-IFRS measure)	<b>317,972</b>	256,785
Net profit margin (as reported under IFRS)	<b>4.3%</b>	3.4%
Adjusted net profit margin (non-IFRS measure)	<b>5.2%</b>	3.6%

### **Liquidity and Capital Resources**

For the year ended 31 December 2023, the Group's cash generated from operating activities was RMB678.3 million, as compared to RMB285.3 million for the year ended 31 December 2022.

The Group's cash and bank deposits amounted to RMB1,263.3 million as at 31 December 2022, as compared to RMB1,935.7 million as at 31 December 2023, comprising long-term bank deposits of RMB453.9 million, cash and bank balances of RMB1,417.6 million and restricted cash of RMB64.2 million.

As at 31 December 2023, the Group's interest-bearing bank and other borrowings amounted to RMB80.3 million, comprising non-current interest-bearing bank and other borrowings of RMB8.1 million and current interest-bearing bank and other borrowings of RMB72.2 million. This represents a decrease of 16.0% from RMB95.6 million as at 31 December 2022. 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 2023, the net asset value of the Group was RMB3,378.8 million, as compared to RMB2,689.6 million as at 31 December 2022. The net asset value as at 31 December 2023 mainly comprised current assets of RMB2,875.3 million, non-current assets of RMB1,776.4 million, current liabilities of RMB1,167.9 million and non-current liabilities of RMB105.0 million.

As at 31 December 2023, the Group's cash and cash equivalents were mainly denominated in RMB and HK\$. As at 31 December 2022, the Group's cash and cash equivalents were mainly denominated in RMB.

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 4.9% as at 31 December 2022 to 3.3% as at 31 December 2023.

## 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 the listing date of the Company (i.e. 2 November 2023) (the "**Listing Date**") to 31 December 2023, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the prospectus of the Company (the "**Prospectus**").

The sum of proceeds from the initial public offering from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the net proceeds from partial exercise of the over-allotment option (after deducting underwriting fees and other related expenses) is approximately HK\$448.7 million.

As at 31 December 2023, the Group has utilized approximately HK\$19.8 million of the proceeds in aggregate for the intended purposes set out in the Prospectus, accounting for 4.4% of all raised funds, and the remaining unutilized proceeds are approximately HK\$428.9 million. For details, please see the following table:

	<b>% of total net proceeds</b>	<b>Net proceeds from the Global Offering (HK\$ million)</b>	<b>Actual net amount utilized during the Reporting Period (HK\$ million)</b>	<b>Unutilized net amount as at 31 December 2023 (HK\$ million)</b>	<b>Expected timeline for fully utilizing unutilized net amount</b>
Construction, investment or acquisition of plants	25%	112.1	0	112.1	On or before December 31, 2027
Upgrading and expansion of existing plants and production lines	15%	67.3	0	67.3	On or before December 31, 2027
Opening and operation of self-operated stores	40%	179.5	0	179.5	On or before December 31, 2027
Building of product R&D centers as well as upgrade and purchase related equipment	10%	44.9	0	44.9	On or before December 31, 2027
Working capital and general corporate uses	10%	44.9	19.8	25.1	On or before December 31, 2027
<b>Total</b>		<u>448.7</u>	<u>19.8</u>	<u>428.9</u>	

The balance of the proceeds from the initial public offering will be utilized in the manner disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

### **Inventories**

The inventories of the Group decreased by 31.3% from RMB1,047.4 million as at 31 December 2022 to RMB719.5 million as at 31 December 2023. Due to the lower sales volume, inventory turnover days increased from 50.8 days in 2022 to 68.0 days in 2023.

## **Trade Receivables**

The trade receivables of the Group decreased from RMB134.3 million as at 31 December 2022 to RMB54.3 million as at 31 December 2023. The trade receivables turnover days increased slightly from 3.9 days in 2022 to 6.0 days in 2023.

## **Trade Payables**

The trade payables of the Group decreased from RMB577.5 million as at 31 December 2022 to RMB457.3 million as at 31 December 2023. The trade payables turnover days increased from 23.4 days in 2022 to 39.8 days in 2023.

## **Pledged Assets**

As at 31 December 2023, the Group had pledged property, plant and equipment amounting to RMB220.4 million and right-of use assets amounting to RMB89.1 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 2023, the Group had capital commitments of approximately RMB41.3 million, which were mainly used for purchase of property, plant and equipment.

## **Contingent Liabilities**

As at 31 December 2023, the Group did not have any material contingent liabilities.

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

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures for the period from the Listing Date and up to 31 December 2023.

## **Future Plans for Material Investments and Investments in Capital Assets**

As at 31 December 2023, 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 2023, the Group had a total of 2,045 employees. In 2023, the total employee benefit expenses arising from the Group amounted to RMB463.4 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. 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 2023, 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 at 31 December 2023, the Company had distributable reserves of RMB179.2 million.

## FINANCIAL INFORMATION

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
<b>REVENUE</b>	6	<b>6,094,104</b>	7,173,457
Cost of sales		<u>(4,743,163)</u>	<u>(5,924,496)</u>
<b>Gross profit</b>		<b>1,350,941</b>	1,248,961
Other income and gains, net	7	<b>104,915</b>	121,460
Selling and distribution expenses		<b>(578,820)</b>	(624,577)
Administrative expenses		<b>(497,235)</b>	(403,686)
Other expenses		<b>(8,652)</b>	(2,968)
Finance costs	9	<b>(5,432)</b>	(2,564)
Impairment loss on financial assets		<u><b>(2,292)</b></u>	<u>(4,584)</u>
<b>PROFIT BEFORE TAX</b>	8	<b>363,425</b>	332,042
Income tax expense	10	<u><b>(100,023)</b></u>	<u>(91,060)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>263,402</b></u>	<u>240,982</u>
Attributable to:			
Owners of the parent		<b>239,636</b>	229,907
Non-controlling interests		<u><b>23,766</b></u>	<u>11,075</u>
		<u><b>263,402</b></u>	<u>240,982</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic			
– For profit for the year (RMB cents)	12	<u><b>8.94</b></u>	<u>8.88</u>
Diluted			
– For profit for the year (RMB cents)	12	<u><b>8.94</b></u>	<u>8.76</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2023*

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b><u>263,402</u></b>	<b><u>240,982</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(201)</u>	<u>45</u>
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	<u>(201)</u>	<u>45</u>
Other comprehensive 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	<b>31,205</b>	11,838
Income tax effect	<u>(7,801)</u>	<u>(2,959)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>23,404</u>	<u>8,879</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b><u>23,203</u></b>	<b><u>8,924</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>286,605</u></b>	<b><u>249,906</u></b>
Attributable to:		
Owners of the parent	<b>262,839</b>	238,831
Non-controlling interests	<u>23,766</u>	<u>11,075</u>
	<b><u>286,605</u></b>	<b><u>249,906</u></b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***31 December 2023*

	<i>Notes</i>	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>440,820</b>	357,826
Right-of-use assets		<b>135,714</b>	152,330
Goodwill		<b>138,010</b>	138,010
Other intangible assets		<b>58,233</b>	61,064
Investment in an associate		<b>2,070</b>	2,000
Equity investments designated at fair value through other comprehensive income		<b>253,090</b>	98,838
Other non-current assets		<b>24,524</b>	30,957
Financial assets at fair value through profit or loss		<b>209,861</b>	187,875
Long-term bank deposits		<b>453,871</b>	526,208
Deferred tax assets		<b>60,160</b>	116,534
<b>Total non-current assets</b>		<b>1,776,353</b>	1,671,642
<b>CURRENT ASSETS</b>			
Inventories		<b>719,515</b>	1,047,404
Trade receivables	<i>13</i>	<b>54,263</b>	134,325
Prepayments, other receivables and other assets		<b>408,668</b>	440,114
Restricted cash		<b>64,220</b>	42,164
Financial assets at fair value through profit or loss		<b>211,031</b>	50,067
Cash and bank balances		<b>1,417,596</b>	694,954
<b>Total current assets</b>		<b>2,875,293</b>	2,409,028
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>14</i>	<b>457,297</b>	577,481
Other payables and accruals		<b>577,296</b>	589,519
Interest-bearing bank and other borrowings		<b>72,135</b>	95,438
Lease liabilities		<b>17,849</b>	19,938
Tax payables		<b>43,311</b>	20,641
<b>Total current liabilities</b>		<b>1,167,888</b>	1,303,017
<b>NET CURRENT ASSETS</b>		<b>1,707,405</b>	1,106,011
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,483,758</b>	2,777,653

	<b>31 December 2023 RMB'000</b>	31 December 2022 RMB'000
<b>NON-CURRENT LIABILITIES</b>		
Deferred income	18,260	7,335
Interest-bearing bank and other borrowings	8,139	191
Lease liabilities	12,162	19,215
Deferred tax liabilities	<u>66,414</u>	<u>61,361</u>
<b>Total non-current liabilities</b>	<u>104,975</u>	<u>88,102</u>
<b>Net assets</b>	<u><u>3,378,783</u></u>	<u><u>2,689,551</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital/Paid-in capital	2,747,360	20,993
Reserves	<u>514,817</u>	<u>2,573,455</u>
	3,262,177	2,594,448
<b>Non-controlling interests</b>	<u>116,606</u>	<u>95,103</u>
<b>Total equity</b>	<u><u>3,378,783</u></u>	<u><u>2,689,551</u></u>

# NOTES TO FINANCIAL STATEMENTS

31 December 2023

## 1. GENERAL INFORMATION

Guoquan Food (Shanghai) Co., Ltd. was incorporated and 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 and trading of home meal and other food related products in Chinese Mainland.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with accordance with International Financial Reporting Standards ("IFRSs"), 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 information is 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 2023. 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 IFRSs for the current year's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Other than as further explained below, all IFRSs effective after the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Group's annual consolidated financial statements.

Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

#### 4. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>1</sup>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>1</sup>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to IAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> 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 revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group’s 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 Chinese Mainland during the reporting period and all the Group’s non-current assets are located in Chinese Mainland, 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 2023 and 2022.

## 6. REVENUE

### (a) An analysis of revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue from contracts with customers</b>		
Sale of home meal and other food related products	5,940,518	7,058,774
Operational support services	<u>153,586</u>	<u>114,683</u>
<b>Total revenue from contracts with customers</b>	<b><u>6,094,104</u></b>	<b><u>7,173,457</u></b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	5,940,518	7,058,774
Services transferred over time	<u>153,586</u>	<u>114,683</u>
<b>Total revenue from contracts with customers</b>	<b><u>6,094,104</u></b>	<b><u>7,173,457</u></b>

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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of home meal and other food related products	22,190	20,920
Operational support services	<u>68,950</u>	<u>40,478</u>
<b>Total</b>	<b><u>91,140</u></b>	<b><u>61,398</u></b>

### (b) Performance obligations

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

#### ***Sale of home meal and other food related products***

The performance obligation is satisfied upon delivery of the home meal and other food 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 IFRS 15 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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other income</b>		
Government grants related to		
– income (i)	45,183	28,187
– assets (ii)	1,128	336
Interest income	31,792	23,024
Others	5,476	8,276
	<u>83,579</u>	<u>59,823</u>
<b>Gains, net</b>		
Foreign exchange differences, net	(7,210)	(77)
Realised fair value gains from financial assets at fair value through profit or loss	5,402	4,655
Unrealised fair value changes on financial assets at fair value through profit or loss		
– Wealth management products	(36)	(267)
– Unlisted convertible redeemable preferred shares	21,986	58,167
Share of profits of an associate	70	–
Gain/(loss) on early termination of leases	799	(144)
Gain/(loss) on disposal of items of property, plant and equipment, net	325	(697)
	<u>21,336</u>	<u>61,637</u>
	<u>104,915</u>	<u>121,460</u>

- (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):

	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of inventories sold*	<b>4,531,610</b>	5,667,319
Depreciation of property, plant and equipment	<b>37,216</b>	24,346
Depreciation of right-of-use assets	<b>34,281</b>	31,199
Expenses relating to short-term leases	<b>9,772</b>	8,412
Amortisation of other intangible assets**	<b>9,296</b>	3,788
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):		
Wages and salaries	<b>377,347</b>	375,813
Equity-settled share-based payment expenses	–	4,604
Pension scheme contributions, social welfare and other welfare***	<b>59,884</b>	72,805
Other employee benefits	<b>26,151</b>	31,370
Research and development cost****	<b>8,537</b>	9,981
Listing expenses	<b>54,570</b>	11,199
Impairment loss on financial assets	<b>2,292</b>	4,584
Impairment losses on inventories, net of reversal	<b>(3,155)</b>	3,898
Auditor's remuneration	<b>2,850</b>	283
(Gain)/loss on disposal of items of property, plant and equipment, net	<b>(325)</b>	697
Government grants	<b>(46,311)</b>	(28,523)
Foreign exchange differences, net	<b>7,210</b>	77
Interest income	<b>(31,792)</b>	(23,024)
Finance costs	<b>5,432</b>	2,564

\* Cost of inventories sold includes 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.

\*\* 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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank and other borrowings	4,209	662
Interest on lease liabilities	1,627	1,902
	<u>5,836</u>	<u>2,564</u>
Less: Interest capitalised	404	–
Total	<u><u>5,432</u></u>	<u><u>2,564</u></u>

## 10. INCOME TAX

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current – PRC		
Charge for the year	48,842	13,845
(Overprovision)/underprovision in prior years	(2,445)	76
Deferred income tax	53,626	77,139
	<u><u>100,023</u></u>	<u><u>91,060</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 exemption.

Pursuant to an announcement [2022] No. 13 “The Announcement on the Implementation of Preferential Income Tax Policies for Small-scaled minimal profit enterprise and Individual Industrial and Commercial Households” issued by MOF and National Tax Bureau on 14 March 2022, for small-scaled minimal profit enterprise with an annual taxable income amount below RMB1,000,000 (RMB1,000,000 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), the enterprise income tax will be further halved. That is, for a small-scaled minimal profit enterprise whose annual taxable income does not exceed RMB1,000,000, the taxable income is reduced by 12.5%, and the enterprise income tax is paid at the tax rate of 20%, as for the part of the annual taxable income exceeding RMB1,000,000 but not exceeding RMB3,000,000, the taxable income is reduced by 25%, the enterprise income tax shall be paid at a rate of 20% from 1 January 2022 to 31 December 2024.

### 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

The proposed 2023 final dividend for the year of RMB0.0521 per ordinary share is subject to the approval of the Company's shareholders at the forthcoming annual general meeting (2022: Nil).

## 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 2,681,919,000 (2022: 2,589,553,000) in issue during the year. The weighted average number of ordinary shares in issue 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.

### (a) Basic

	2023	2022
Profit attributable to owners of the parent (RMB'000)	<u>239,636</u>	<u>229,907</u>
Weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,681,919,000</u>	<u>2,589,553,000</u>
Basic earnings per share (RMB cents)	<u><u>8.94</u></u>	<u><u>8.88</u></u>

### (b) Diluted

The Group had no potentially diluted ordinary shares in issue during the year ended 31 December 2023. A calculation is done to determine the number of shares that could have been issued 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.

Diluted earnings per share during year ended 31 December 2022 is calculated by dividing the profit for the year attributable to owners of the parent by the adjusted weighted average number of ordinary shares outstanding assuming conversion of the awards ("**Award Interests**") under the Award Interests Arrangement which was approved by the board of the directors of the company in October 2019. These Award Interests granted shall be subject to a performance-based vesting condition, which means that the Company's performance targets of 2020, 2021 and 2022 shall be assessed as the unlocking conditions. Subject to the satisfaction of the performance condition, the Award Interests held shall be unlocked in the proportion up to 1/3 of the total number of the Award Interests granted provided that the 2020, 2021 or 2022 performance targets had been met. All the remaining award shares have been vested under the Award Interests Arrangement in the year ended 31 December 2022, thus the Award Interests Arrangement of the Company ended thereafter.

	2023	2022
Profit attributable to owners of the parent (RMB'000)	<u><u>239,636</u></u>	<u><u>229,907</u></u>
Weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,681,919,000</u>	2,589,553,000
Adjustment for Award Interests	<u>–</u>	<u>34,839,000</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<u><u>2,681,919,000</u></u>	<u><u>2,624,392,000</u></u>
Diluted earnings per share (RMB cents)	<u><u>8.94</u></u>	<u><u>8.76</u></u>

### 13. TRADE RECEIVABLES

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	<b>61,565</b>	139,335
Impairment	<b>(7,302)</b>	(5,010)
	<b>54,263</b>	134,325

Included in the Group's trade receivables was amount due from the related party of RMB4,000 as at 31 December 2023 (2022: RMB10,357,000), which are recoverable within one year.

Advance payment is normally required for the sale to franchisees in Chinese Mainland 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:

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	<b>30,598</b>	51,494
1 to 3 months	<b>5,291</b>	80,681
3 to 6 months	<b>1,600</b>	684
6 to 12 months	<b>16,771</b>	1,182
1 to 2 years	<b>3</b>	284
	<b>54,263</b>	134,325

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

	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	<b>5,010</b>	426
Impairment loss, net	<b>2,292</b>	4,584
At end of year	<b>7,302</b>	5,010

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 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

**At 31 December 2022**

	Current	Past due				Total
		Within 3 months	3 to 6 months	6 to 12 months	1 to 2 years	
Expected credit loss rate	0.61%	3.33%	9.25%	36.91%	100.00%	
Gross carrying amount (RMB'000)	51,808	84,032	800	1,387	1,308	139,335
Expected credit losses (RMB'000)	314	2,802	74	512	1,308	5,010

**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:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 month	404,909	531,637
1 to 3 months	49,064	40,629
3 to 6 months	1,325	1,891
6 months to 1 year	900	1,362
Over 1 year	1,099	1,962
	<u>457,297</u>	<u>577,481</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 RMB4,916,000 as at 31 December 2023 (2022: RMB7,083,000).

## **OTHER INFORMATION**

### **FINANL DIVIDEND**

The Board recommended the distribution of a final dividend of RMB0.0521 (tax inclusive) per ordinary share for the year ended 31 December 2023. 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 shares of the Company will be paid in RMB. If such profit distribution plan is approved by shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on 27 June 2024 (Thursday), the final dividend will be paid no later than 29 August 2024 (Thursday), to the Shareholders whose names are listed on the register of members of the Company on 9 July 2024 (Tuesday).

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 it may deem relevant at such time. Any declaration and payment as well as the amounts of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our 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 27 June 2024 (Thursday), 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 24 June 2024 (Monday) to 27 June 2024 (Thursday), 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 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 21 June 2024 (Friday), 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 4 July 2024 (Thursday) to 9 July 2024 (Tuesday), 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 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 3 July 2024 (Wednesday), for registration.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

Other than the Global Offering, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of Company for the period from the Listing Date and up to 31 December 2023.

## **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 31 December 2023 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 2023.

## 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 2023 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 of 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 period from the Listing Date to 31 December 2023, the Board is of the view that the Company has complied with the applicable requirements of the CG Code, except for the deviation from requirement of code provision C.2.1 of the CG Code concerning the separation of the roles of the chairman and chief executive officer. Pursuant to code provision C.2.1, roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period from the Listing Date to 31 December 2023, the chairman of the Board and chief executive officer of the Company were assumed by one person, Mr. Yang Mingchao, who was 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, 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 chairman 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 for 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.

## 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 Directors’, Supervisors’ and relevant employees’ (i.e. employees who may have inside information about the Company) dealings in securities of the Company.

The Company has made specific enquiry to all the Directors and Supervisors, and each of them confirmed that he/she has complied with the required standards of dealing as set out in the Model Code for the period from the Listing Date and up to 31 December 2023.

No incident of non-compliance with the Model Code by the relevant employees of the Company were noted by the Company for the period from the Listing Date and up to 31 December 2023.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company’s website (<https://ir.zzgqsh.com>). The annual report of the Company for the year ended 31 December 2023 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 2024

*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, Mr. Zeng Xinghai 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.*