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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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	For the six months ended	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue	243,952	305,248
Adjusted (loss)/profit for the period (<i>Note</i>)	(26,700)	12,668
<i>Adjusted items</i>		
Interest on convertible bonds	(19,869)	(18,360)
Loss for the period	(46,569)	(5,692)
Loss per share attributable to equity holders of the Company:		
Loss per share (RMB cents) — basic and diluted	(2.86)	(0.54)

Note:

The adjusted (loss)/profit for the period is a non-GAAP financial measure and is calculated as the loss for the period excluding interest on convertible bonds. The Group uses such unaudited adjusted (loss)/profit as an additional financial measure to supplement the condensed consolidated interim financial information which is prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting and to evaluate the financial performance of the Group by excluding the impact of certain non-operating, unusual and/or non-recurring items which the Group does not consider to be indicative of the operating performance of the Group.

Such unaudited 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 Hong Kong Financial Reporting Standards ("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.

REVIEW OF THE INTERIM RESULTS

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, more than 10 food and beverage brands.

For the first half of 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 RMB1,715 million, representing an increase of 10% over the corresponding period of 2023. As at 30 June 2024, the number of stores under all the brands of the Group and its associates was 1,131, with a net increase in newly opened direct-sale stores and franchised stores of nearly 71 stores as compared with that as at 31 December 2023. For the first half of 2024, the Group’s total system sales, including sales of all restaurants, both owned and franchised under the Group, amounted to RMB325 million, representing a decrease of 11% over the corresponding period of 2023; revenue of the Group amounted to RMB244 million, representing a decrease of 20.1% over the corresponding period of 2023.

For the first half of 2024, the overall supply exceeded demand in China’s food and beverage industry, and enterprises were caught in the quagmire of price wars, making it more difficult to make profits. The brands of Best Food were also facing the same industry environment and were actively making changes to adapt to the market.

The Chinese fast-food chain operated by “HHG” has been facing fierce competition, resulting in a decline in its offline business volume. In order to stabilize offline business volume and enhance online business volume, “HHG” has adopted various strategies, such as introducing freshly stir-fried homemade dishes, dry-boiled dishes and seasonal dishes to diversify its product line, extending operating hours, as well as promoting the brand through short videos and live commerce.

Since the inception for nearly two decades, “Xinladao” fish hot pot has accumulated customer reputation and loyal customers. It is currently exploring new products and store model, while also endeavoring to enhance its competitiveness through a franchised partnership model.

In addition, Best Food has also invested in the brands operated by its associates, such as Sichuan and Chongqing style fast food “Yujian Xiaomian”, “King of Clay Pot” claypot rice, “Seesaw coffee”, “West Master” Chinese bun, “Yuepin” Vietnamese cuisine, “Fook” malatang, “Dafulan” Hunan rice noodles and snacks, and “Panda Hot Pot” small hot pot. Among them, “Yujian Xiaomian” has achieved certain results in store model and cross-regional expansion. It saw further expansion in its brand scale with a wide distribution of over 300 stores and maintaining sound profitability in the first half of 2024, the tenth year of the establishment of the brand. Moreover, “King of Clay Pot” has moved in the list of leading claypot rice brands, operating over 200 stores. Its stores are mainly distributed in East China Region, and still undergoing upgrading and development.

After years of operational practice, Best Food has accumulated a deep understanding and insight into the industry. In an effort to further optimize and strengthen its ecosystem, Best Food ingeniously launched the “Co-Creation Camp” (共創營) project, aiming to build an efficient and interconnected platform that seamlessly connects and integrates diverse industry resources. This move has not only generated income and expanded the cooperative network, but also opened up new avenues for business growth, driving continuous innovation and development within the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Total system sales of the Group and its associates increased by 10% from RMB1,564 million for the six months ended 30 June 2023 to RMB1,715 million for the corresponding period of 2024. Total system sales, including sales of all restaurants, both owned and franchised under the Group, decreased by 11% from RMB367 million for the six months ended 30 June 2023 to RMB325 million for the corresponding period of 2024. Revenue of the Group decreased by 20.1% from RMB305.2 million for the six months ended 30 June 2023 to RMB244.0 million for the corresponding period of 2024, among which revenue from restaurant operations decreased by 31.2% from RMB168.8 million for the six months ended 30 June 2023 to RMB116.2 million for the corresponding period of 2024, and revenue from delivery business decreased by 18.8% from RMB104.5 million for the six months ended 30 June 2023 to RMB84.9 million for the corresponding period of 2024, and revenue from sale of food ingredients increased by 34.1% from RMB32.0 million for the six months ended 30 June 2023 to RMB42.9 million for the corresponding period of 2024, which was mainly attributable to the strategic transformation, and the number of self-operating stores decreased while that of franchise stores increased.

Raw material used and changes in inventories of finished goods

Raw material used and changes in inventories of finished goods decreased by 12.0% from RMB113.4 million for the six months ended 30 June 2023 to RMB99.8 million for the corresponding period of 2024. Raw material used and changes in inventories of finished goods as a percentage of revenue increased from 37.2% for the six months ended 30 June 2023 to 40.9% for the corresponding period in 2024, which was mainly attributable to (i) the strategic adjustment of implementing an overall price reduction in response to consumer downgrading; and (ii) the change in revenue composition brought by the increase in number of franchise stores compared to self-operating stores.

Online platform service charges and delivery fees

Online platform service charges and delivery fees decreased by 10.6% from RMB18.0 million for the six months ended 30 June 2023 to RMB16.1 million for the corresponding period of 2024, which was mainly attributable to the decrease in revenue from delivery business during the reporting period.

Employee benefit expense

Employee benefit expense decreased by 12.0% from RMB86.6 million for the six months ended 30 June 2023 to RMB76.2 million for the corresponding period of 2024, which was mainly attributable to the decrease in staff working hours resulting from the number of self-operating stores decreased while that of franchise stores increased. Employee benefit expense as a percentage of revenue increased from 28.4% for the six months ended 30 June 2023 to 31.2% 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 15.1% from RMB35.8 million for the six months ended 30 June 2023 to RMB30.4 million for the corresponding period of 2024. Depreciation of right-of-use assets as a percentage of revenue increased from 11.7% for the six months ended 30 June 2023 to 12.5% for the corresponding period of 2024, which was mainly due to the decrease in revenue during the reporting period, as well as the closure of self-operating stores.

Depreciation and amortisation of other assets

Depreciation and amortisation of other assets decreased by 19.8% from RMB11.1 million for the six months ended 30 June 2023 to RMB8.9 million for the corresponding period of 2024. Depreciation and amortisation of other assets as a percentage of revenue remained stable at 3.6% for the six months ended 30 June 2023 and 2024.

Property rentals and other related expenses

Property rentals and other related expenses decreased by 13.7% from RMB9.5 million for the six months ended 30 June 2023 to RMB8.2 million for the corresponding period of 2024. Property rentals and other related expenses as a percentage of revenue increased from 3.1% for the six months ended 30 June 2023 to 3.4% for the corresponding period of 2024, which was mainly attributable to the decrease in revenue during the reporting period.

Other expenses

Other expenses decreased by 9.3% from RMB24.8 million for the six months ended 30 June 2023 to RMB22.5 million for the corresponding period of 2024, which was attributable to the decrease in advertising and marketing expenses. Other expenses as a percentage of revenue increased from 8.1% for the six months ended 30 June 2023 to 9.2% for the corresponding period of 2024, which was mainly attributable to the decrease in revenue during the reporting period.

Share of (loss)/profit of associates

Share of loss of associates amounted to RMB5.8 million for the six months ended 30 June 2024, while the share of profit of associates amounted to RMB4.2 million for the corresponding period of 2023, which was mainly attributable to intense competition that ensued due to the influx of participants from various industries.

Finance expenses — net

Finance expenses — net (which includes finance income, finance expenses and interest on convertible bonds) were RMB23.9 million and RMB23.1 million for the six months ended 30 June 2024 and 2023, respectively, which was mainly attributable to the increase in interest on convertible bonds.

Income tax expenses

Income tax expenses amounted to RMB0.4 million for the six months ended 30 June 2023, while the income tax expenses amounted to RMB0.5 million for the corresponding period of 2024.

Loss for the period

The Group recorded loss for the period for the six months ended 30 June 2024 of approximately RMB46.6 million, as compared to loss of RMB5.7 million for the six months ended 30 June 2023, which was mainly attributable to intense competition that ensued due to the influx of participants from various industries.

Non-GAAP Financial Measure

Adjusted (loss)/profit for the period

The adjusted (loss)/profit for the period is an additional financial measure, which is not required by, or presented in accordance with HKFRS. It is calculated as the loss for the period excluding interest on convertible bonds. The table below sets forth the reconciliation of loss for the period to adjusted (loss)/profit for the period:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period	(46,569)	(5,692)
Interest on convertible bonds	<u>19,869</u>	<u>18,360</u>
Adjusted (loss)/profit for the period	<u>(26,700)</u>	<u>12,668</u>

The Group uses adjusted (loss)/profit as an additional financial measure to supplement the condensed consolidated interim financial information which is prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting and to evaluate the financial performance of the Group by excluding the impact of certain non-operating, unusual and/or non-recurring items which the Group does not consider to be indicative of the operating performance of the Group.

Such unaudited 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 Leasing (“**HKFRS 16**”), the Group recognized 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 30 June 2024, the Group recognized right-of-use assets with an amount of RMB125.2 million (as of 31 December 2023: RMB149.0 million).

Inventories

Inventories mainly represented the food ingredients used in restaurant operation. Inventories decreased slightly from RMB23.4 million as of 31 December 2023 to RMB23.2 million as of 30 June 2024. For the year ended 31 December 2023 and for the six months ended 30 June 2024, the turnover days of inventories, which was equal to the average inventory at the beginning of the current year/current period and that at the end of the period divided by the costs of raw materials and consumables during the same period and multiplied by 365 days/182 days, increased from 37 days to 42 days, which was mainly due to the decrease of revenue.

Trade and other receivables

Trade and other receivables decreased from RMB80.1 million as of 31 December 2023 to RMB66.7 million as of 30 June 2024, among which, other receivables decreased from RMB69.7 million as of 31 December 2023 and RMB55.5 million as of 30 June 2024.

Trade and other payables

Trade and other payables decreased from RMB143.8 million as of 31 December 2023 to RMB127.0 million as of 30 June 2024. Among which, trade payables decreased from RMB48.8 million as of 31 December 2023 to RMB42.2 million as of 30 June 2024, and the turnover days increased from 81 days for the year ended 31 December 2023 to 83 days for the six months ended 30 June 2024.

Borrowings

As of 30 June 2024, the Group had bank borrowings of RMB12.6 million (as of 31 December 2023: RMB11.0 million).

Convertible bonds

As of 30 June 2024, convertible bonds and related interests of the Group totaled RMB618.6 million, representing an increase of RMB24.2 million as compared to RMB594.4 million as of 31 December 2023, which was mainly attributable to the interest incurred and as affected by the fluctuation of exchange rate during the reporting period.

Lease liabilities

As of 30 June 2024, the total lease liabilities amounted to RMB131.7 million, representing a decrease of 14.9% as compared to RMB154.7 million as of 31 December 2023, which was mainly attributable to the lease payment for certain existing leases during the reporting period, and the closure of certain restaurants during the first half of 2024.

FUTURE PROSPECTS

Despite intense competition in the industry in 2024, 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) increasing the values of each brand and enterprise, so as to contribute profits to the Group;
- (ii) leveraging on its years of accumulation in the catering industry, Best Food will also explore diverse investment empowerment models in the future to enhance the value of the Group; and
- (iii) exploring new opportunities for business growth.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2024 together with comparative figures for the last corresponding period as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	243,952	305,248
Other income	4	10,290	12,716
Raw material used and changes in inventories of finished goods		(99,802)	(113,430)
Online platform service charges and delivery fees		(16,079)	(17,999)
Employee benefit expense		(76,163)	(86,630)
Depreciation of right-of-use assets		(30,444)	(35,784)
Depreciation and amortisation of other assets		(8,869)	(11,078)
Utility expenses		(8,793)	(7,979)
Property rentals and other related expenses		(8,181)	(9,542)
Other expenses	5	(22,464)	(24,820)
Provision for expected credit loss allowance for financial assets, net		(35)	(485)
Other gains, net		207	3,348
Finance income		58	53
Finance expenses		(4,134)	(4,751)
Interest on convertible bonds		(19,869)	(18,360)
Share of (loss)/profit of associates		(5,793)	4,195
Loss before taxation		(46,119)	(5,298)
Income tax expenses	6	(450)	(394)
Loss for the period	7	(46,569)	(5,692)
(Loss)/profit for the period attributable to:			
Equity holders of the Company		(45,124)	(8,559)
Non-controlling interests		(1,445)	2,867
		(46,569)	(5,692)

		Six months ended 30 June	
		2024	2023
<i>Notes</i>		RMB'000	RMB'000
		(unaudited)	(unaudited)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(3,195)</u>	<u>(9,408)</u>
Other comprehensive loss for the period		<u>(3,195)</u>	<u>(9,408)</u>
Total comprehensive loss for the period		<u><u>(49,764)</u></u>	<u><u>(15,100)</u></u>
Total comprehensive (loss)/income for the period attributable to:			
— Equity holders of the Company		(48,319)	(17,967)
— Non-controlling interests		<u>(1,445)</u>	<u>2,867</u>
		<u><u>(49,764)</u></u>	<u><u>(15,100)</u></u>
Loss per share attributable to equity holders of the Company:			
Loss per share (RMB cents) — Basic	9	<u><u>(2.86)</u></u>	<u><u>(0.54)</u></u>
Loss per share (RMB cents) — Diluted	9	<u><u>(2.86)</u></u>	<u><u>(0.54)</u></u>

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 June 2024	As at 31 December 2023
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
Non-Current Assets			
Property, plant and equipment		52,961	60,182
Right-of-use assets		125,185	148,968
Investments in associates		225,813	229,848
Goodwill		45,495	45,495
Intangible assets		375,072	375,451
Deferred tax assets		33,026	33,426
Other receivables	<i>10</i>	14,817	12,154
Other non-current assets		1,434	1,255
		873,803	906,779
Current Assets			
Inventories		23,151	23,377
Trade and other receivables	<i>10</i>	51,908	67,916
Other current assets		36,991	36,788
Financial assets at fair value through profit or loss		24,507	36,121
Cash and cash equivalents		32,602	35,636
Restricted cash		694	1,744
		169,853	201,582
Total Assets		1,043,656	1,108,361

		As at 30 June 2024 <i>RMB'000</i> (unaudited)	As at 31 December 2023 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Current Liabilities			
Trade and other payables	<i>11</i>	127,016	143,789
Contract liabilities		61,287	61,956
Lease liabilities		60,189	59,089
Borrowings	<i>12</i>	12,600	11,000
Tax payable		6,526	5,546
Convertible bonds — interest payable due within one year	<i>13</i>	16,721	16,602
		<u>284,339</u>	<u>297,982</u>
Non-Current Liabilities			
Convertible bonds	<i>13</i>	601,876	577,788
Lease liabilities		71,552	95,610
Deferred tax liabilities		90,196	90,196
Deferred government grants		<u>—</u>	<u>32</u>
		<u>763,624</u>	<u>763,626</u>
Total Liabilities		<u>1,047,963</u>	<u>1,061,608</u>
Capital and Reserves			
Share capital		133,023	133,023
Reserves		<u>(183,076)</u>	<u>(133,040)</u>
Equity attributable to equity holders of the Company		(50,053)	(17)
Non-controlling interests		<u>45,746</u>	<u>46,770</u>
Total (Deficit)/Equity		<u>(4,307)</u>	<u>46,753</u>
Total Liabilities and Equity		<u>1,043,656</u>	<u>1,108,361</u>

Notes:

1. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

As of 30 June 2024, the Group’s current liabilities exceeded its current assets by RMB114,486,000. 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. Considering the Group’s ability to generate net cash inflows from its future operating activities, the directors of the Company believe that adequate funding is available to fulfill the Group’s debt obligations and capital expenditure requirements during the 12-month period from 30 June 2024. Therefore, the condensed consolidated interim financial information has been prepared on the going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information has been prepared on the historical cost basis except for financial assets at fair value through profit or loss that are measured at fair values.

The accounting policies applied to the preparation of this condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2023, except for the adoption of amended standards as set out below:

Amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

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

The amendments 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.

Impact of standards issued but not yet applied by the Group

Certain new and amended accounting standards have been published but are not mandatory for reporting period commencing 1 January 2024 and have not been early adopted by the Group. These new and amended accounting standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Amendments and interpretations	Effective date
Amendments to HKAS 21	<i>Lack of Exchangeability</i>	<i>Annual periods beginning on or after 1 January 2025</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Classification and Measurement of Financial Instruments</i>	<i>Annual periods beginning on or after 1 January 2026</i>
HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	<i>Annual periods beginning on or after 1 January 2027</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	<i>Annual periods beginning on or after 1 January 2027</i>

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 period ended 30 June 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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
Restaurant operation	116,163	168,760
Delivery business	84,865	104,458
Sale of food ingredients	42,924	32,030
Total	243,952	305,248

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 six months ended 30 June 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

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Franchise income	7,703	5,249
Government grants (a)	220	5,172
Investment income on wealth management products	79	558
Management service income (b)	1,733	444
Interest income on loans	159	191
Others	396	1,102
	<u>10,290</u>	<u>12,716</u>

(a) Government grants are mainly from tax refund in accordance with relevant tax policies and amortization of deferred government grants from assets-related government grants. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

(b) Management service income mainly includes service fees received by the Group in relation to the provision of commercial, management and administrative support services.

5. OTHER EXPENSES

	Unaudited	
	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Daily maintenance expenses	7,419	7,795
Advertising and marketing expenses	2,952	4,837
Business development expense	3,940	3,313
Professional fees	2,427	2,071
Auditors' remuneration		
— Audit services	900	1,000
— Non-audit services	—	—
Other expenses	4,826	5,804
	<u>22,464</u>	<u>24,820</u>

6. INCOME TAX EXPENSES

Unaudited
Six months ended 30 June
2024 **2023**
RMB'000 **RMB'000**

Current income tax		
Hong Kong profits tax	—	—
PRC enterprise income tax (“EIT”)	<u>50</u>	<u>—</u>
	50	—
Deferred tax	<u>400</u>	<u>394</u>
	<u>450</u>	<u>394</u>

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 profits 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.

7. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	Unaudited	Unaudited
Depreciation of right-of-use assets	30,444	35,784
Depreciation of property, plant and equipment	8,408	10,357
Amortization of intangible assets	<u>461</u>	<u>721</u>
Total depreciation and amortization	<u><u>39,313</u></u>	<u><u>46,862</u></u>
Property rentals		
— office premises (fixed payments)	154	317
— restaurants		
— fixed payments	3,821	5,103
— variable lease payments	220	1,494
— COVID-19-related rent concessions	(1,126)	(4,082)
Property management fee	<u>5,112</u>	<u>6,710</u>
Total property rentals and other related expenses	<u><u>8,181</u></u>	<u><u>9,542</u></u>
Auditor's remuneration		
— Audit service	900	1,000
— Non-audit services	<u>—</u>	<u>—</u>

8. DIVIDENDS

The board of directors of the Company has determined not to declare interim dividend for the six months ended 30 June 2024 (2023: nil).

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity holders of the Company of RMB45,124,000 (2023: loss of RMB8,559,000) and the weighted average number of ordinary shares in issue of 1,578,664,000 (2023: 1,578,664,000) shares during the period.

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 period) 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 six months ended 30 June 2024 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

10. TRADE AND OTHER RECEIVABLES

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Trade receivables	12,178	11,327
Other receivables	<u>84,642</u>	<u>98,803</u>
Total trade and other receivables	<u>96,820</u>	<u>110,130</u>
Less: provision for expected credit loss allowance for trade receivables	(994)	(959)
provision for expected credit loss allowance for other receivables	<u>(29,101)</u>	<u>(29,101)</u>
Trade and other receivables — net	<u>66,725</u>	<u>80,070</u>
Including:		
Current portion		
Trade receivables — net	11,184	10,368
Other receivables — net	<u>40,724</u>	<u>57,548</u>
	<u>51,908</u>	<u>67,916</u>
Non-current portion		
Other receivables — net	<u>14,817</u>	<u>12,154</u>
Trade and other receivables — net	<u>66,725</u>	<u>80,070</u>

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

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Within 6 months	11,303	9,652
6 months to 1 year	<u>875</u>	<u>1,675</u>
	<u>12,178</u>	<u>11,327</u>

11. TRADE AND OTHER PAYABLES

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Trade payables	42,246	48,817
Other payables and accruals	<u>84,770</u>	<u>94,972</u>
	<u><u>127,016</u></u>	<u><u>143,789</u></u>

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

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Within 6 months	39,115	42,961
Over 6 months	<u>3,131</u>	<u>5,856</u>
	<u><u>42,246</u></u>	<u><u>48,817</u></u>

12. BORROWINGS

	Unaudited As at 30 June 2024 RMB'000	Audited As at 31 December 2023 RMB'000
Current		
<i>Guaranteed</i>		
Bank borrowings (c)	<u>2,600</u>	<u>1,000</u>
<i>Unsecured and unguaranteed</i>		
Bank borrowings	<u><u>10,000</u></u>	<u><u>10,000</u></u>

(a) **Maturity of borrowings**

	Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
12 months or less	<u><u>12,600</u></u>	<u><u>11,000</u></u>

(b) **Weighted average annual interest rates**

	Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
Bank borrowings	2.98%	3.06%

(c) As at 30 June 2024, bank borrowings of RMB2,600,000 were guaranteed by a third party (31 December 2023: RMB1,000,000).

13. CONVERTIBLE BONDS

	Unaudited As at 30 June 2024 <i>RMB'000</i>	Audited As at 31 December 2023 <i>RMB'000</i>
Current		
Convertible bonds — interest payable due within one year	<u><u>16,721</u></u>	<u><u>16,602</u></u>
Non-current		
Convertible bonds	<u><u>601,876</u></u>	<u><u>577,788</u></u>

As at 30 June 2024, current portion of the Convertible Bonds (the “**Convertible Bonds**”) issued by the Company to Sonic Tycoon Limited (the “**Investor**”) amounted to HK\$18,320,000 (equivalent to approximately RMB16,721,000), which represented interest payable from 23 November 2023 to 23 November 2024 and was calculated at the coupon rate of 3% per annum. The remaining amount of the Convertible Bonds were classified as non-current liabilities, including the interest payable accrued from 23 November 2018 (the date of issue) to 23 November 2023 (the fifth anniversary of the date of issue) given the Investor had sent notices to the Company in December 2022 and November 2023, respectively, in which the Investor agreed the Company to postpone the payment date of such interest to 23 November 2025.

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 six months ended 30 June 2023 and 2024 are as follows:

	Liability component <i>RMB'000</i>	Equity component <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2023 (Unaudited)			
As at 1 January 2023	548,390	104,294	652,684
Interest expenses (<i>Note</i>)	18,360	—	18,360
Exchange difference	18,416	—	18,416
As at 30 June 2023	585,166	104,294	689,460
Six months ended 30 June 2024 (Unaudited)			
As at 1 January 2024	594,390	104,294	698,684
Interest expenses (<i>Note</i>)	19,869	—	19,869
Exchange difference	4,338	—	4,338
As at 30 June 2024	618,597	104,294	722,891

Note: The interest expense of RMB19,869,000 (2023: RMB18,360,000) was calculated using the effective interest method.

14. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2024 and up to the date of this results announcement, no important event affecting the Group had occurred.

- 15.** The condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare interim dividend for the six months ended 30 June 2024 (2023: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group recorded a total shareholders' deficit of RMB4.3 million as at 30 June 2024 (31 December 2023: total shareholders' equity of RMB46.8 million). As at 30 June 2024, the Group had current assets of RMB169.9 million (31 December 2023: RMB201.6 million) and current liabilities of RMB284.3 million (31 December 2023: RMB298.0 million). The current ratio was 0.60 as at 30 June 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 30 June 2024, the Group had outstanding bank borrowings of RMB12.6 million (31 December 2023: 11.0 million). As at 30 June 2024, the Group maintained cash and cash equivalents of RMB32.6 million (31 December 2023: RMB35.6 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total bank borrowings over deficit/equity) was -4.64 as at 30 June 2024 (31 December 2023: 0.53).

As at 30 June 2024, the Group had outstanding convertible bonds of RMB618.6 million (31 December 2023: RMB594.4 million). Please refer to Note 13 to the condensed consolidated financial results of the Company in this announcement for further details.

The Group possesses sufficient cash and available financing facilities to meet its commitments and working capital requirements. Considering the Group's ability to generate net cash inflows from its future operating activities, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements during the 12 months period from 30 June 2024.

Based on the above, considering the Company's ability to generate net cash inflows from its future operating activities, the assets held by the Company and the extension of the maturity date of the convertible bonds, to the best knowledge of the Directors, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible bonds issued by the Company.

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 30 June 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

During the six months ended 30 June 2024, the Company did not hold any significant investment with a value of 5% or more of the Company's total assets.

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 six months ended 30 June 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 30 June 2024 and as at 31 December 2023, there was no charge over the assets of the Group.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

GEARING RATIO

As at 30 June 2024, the Group's gearing ratio was 101% (31 December 2023: 92%). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" and convertible bonds as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "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 six months ended 30 June 2024 (31 December 2023: nil).

HUMAN RESOURCES

As at 30 June 2023, the Group had a workforce of about 1,618 people (31 December 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.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, the Company did not hold any treasury shares.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 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 six months ended 30 June 2024.

AUDIT COMMITTEE

The unaudited interim results of the Group for the six months ended 30 June 2024 have not been reviewed by the auditors of the Company but have been reviewed by the audit committee of the Company, which comprises all the independent non-executive Directors. The audit committee of the Company has also discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

INTERIM REPORT

This results announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.bestfoodholding.com). The interim report of the Company for the six months ended 30 June 2024 will be made available on the 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, 29 August 2024

As at the date of this announcement, the Board 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. Heng Victor Ja Wei and Mr. Lo Wei-Ren.