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GUOQUAN FOOD (SHANGHAI) CO., LTD.

鍋圈食品(上海)股份有限公司

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

(Stock Code: 2517)

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

HIGHLIGHTS OF INTERIM RESULTS FOR 2024

- The revenue for the six months ended June 30, 2024 was RMB2,665.0 million, representing a decrease of 3.5% as compared to the first half of 2023.
- The gross profit for the six months ended June 30, 2024 was RMB608.9 million, representing an increase of 5.3% as compared to the first half of 2023. The gross profit margin for the six months ended June 30, 2024 was 22.8%, compared to 20.9% in the first half of 2023.
- The net profit for the six months ended June 30, 2024 was RMB85.5 million, representing a decrease of 26.7% as compared to the first half of 2023.
- The core operating profit (Non-IFRS measure)^{Note} for the six months ended June 30, 2024 was RMB124.9 million, representing an increase of 4.9% as compared to the first half of 2023.
- The basic and diluted earnings per share for the six months ended June 30, 2024 was RMB0.0313, representing a decrease of 22.3% as compared to the first half of 2023.

Note:

Core operating profit is defined as operating profit adjusted for impact of items that affect comparability. Items that affect comparability include: (i) listing expenses; and (ii) gains or losses from fair value changes on unlisted convertible redeemable preferred shares. Core operating profit are not International Financial Reporting Standards measures. 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 unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) prepared in accordance with the International Accounting Standard 34 (“**IAS 34**”) *Interim Financial Reporting*, together with the comparative figures for the corresponding period for the six months ended June 30, 2023. These results have been reviewed by the Audit Committee of the Board.

In this announcement, “we”, “us” and “our” refer to the Company or the Group, as the context may require.

BUSINESS REVIEW AND OUTLOOK

Overall Business and Financial Performance

Omni-channel sales network

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

In the first half of 2024, consumers became more rational and cautious about their daily consumption and paid more attention to the balance between product quality and price when making purchase decisions.

As at June 30, 2024, the Group has a retail store network covering 31 provinces, autonomous regions and municipalities directly under the Central Government, with a total of 9,660 retail stores.

The table below sets forth the total number of franchised stores and self-operated stores of the Group as at June 30, 2024:

	As at June 30,			
	2024		2023	
	Number of stores	%	Number of stores	%
Self-operated stores	10	0.1	5	0.1
Franchised stores	9,650	99.9	9,910	99.9
Total	9,660	100.0	9,915	100.0

The table below sets forth a breakdown of the Group's product sales revenue contributions by channel during the Reporting Period:

	Six Months ended June 30,			
	2024		2023	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Sales of home meal products and related products				
Sales to franchisees	2,338,188	90.4	2,400,777	89.4
Other sales channels ⁽¹⁾	248,990	9.6	285,542	10.6
Total	2,587,178	100.0	2,686,319	100.0

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 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 considers each franchised store to be 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 the first half of 2024, the Group continued to conduct livestreaming and post related short-form videos for Guoquan's products on its multi-level Douyin accounts. Among them, the "RMB99 Beef Tripe Freedom Hotpot Set" (99元毛肚自由火鍋套餐) launched in late May was well received by consumers, and more than RMB130 million hotpot sets were sold on Douyin in June alone, representing a 24.9% increase over the total sales of all products on Douyin as compared to the first half of 2023. Through the spread of popular social media commerce platforms, the Group interacted more with consumers.

The Group's membership program built close online and offline connections and engagement with consumers and fostered consumer loyalty. As at June 30, 2024, the number of the Group's registered members reached approximately 30.9 million. The Group continued to enhance and develop the prepaid cards program. The value stored in prepaid cards for the six months ended June 30, 2024 was approximately RMB0.43 billion, representing an increase of 57.8% as compared to the first half of 2023.

Home meal products brand and product portfolio

Since the beginning of this year, the Group has continued to implement its business philosophy of providing convenient, high quality home meal products with great value-for-money to consumers. In the first half of 2024, we successively launched a range of tasty, convenient and affordable product portfolio, such as the "RMB99 Beef Tripe Freedom Hotpot Set", which had an extensive popularity among consumers. In addition, the Group constantly enriched its product portfolio by introducing new products and upgrading existing products from time to time to meet the evolving consumer needs and preferences. For example, the Group launched 248 new SKUs of hotpot and barbecue products during the Reporting Period.

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.

Highly efficient supply chain management and operation

We operated under a streamlined and highly efficient supply chain from production facilities to central warehouses and further to retail stores, eliminating redundant intermediate parties in the supply chain, thereby optimizing cost to offer affordable products to franchisees and consumers. By collaborating with warehousing and logistics providers, we achieved next day delivery from central 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 a more stringent control over the production and supply of our staple products. As at June 30, 2024, the Group had four 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 Huanhuan Plant (歡歡工廠) for the production of aquatic 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 and stable relationship with suppliers of staple products, along with comprehensive control over the production of our staple products further ensures the supply of high-quality food with tasty, convenient and value-for-money features 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 June 30, 2024, the Group leveraged 17 digitalized central warehouses across China in cooperation with warehousing and logistics providers, achieving swift circulation of products through digital stock and barcode management.

Business Outlook

Expand and deepen the sales channel for offline stores

The Group plans to deepen market penetration in regions already covered, expand the store network to new regions, and cover more cities in the PRC with more diverse store types. In terms of farmer's market store formats to be newly launched, the Group will further modify store formats, in order to reserve new store formats for future development. In addition, the Group will also upgrade and renovate its existing stores in certain markets to provide consumers with better shopping experience.

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 increasing more product portfolios with high quality-price ratio, 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.

Innovate diversified and new sales channel

The Group plans to continue innovating its sales channels. By vigorously expanding diversified online sales channels, including Douyin, Guoquan APP, and WeChat mini-programs, along with diverse sales methods such as live-streaming e-commerce, the Group aims 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 delivered to the nearest offline stores for pickup by consumers. This mutually empowering online-to-offline integration and the additional function of offline stores as satellite warehouses would thereby further drive the increase of online and offline store sales and, in turn, the revenue. Additionally, through new sales channels, the Group will reach a more diverse range of consumer scenarios and serve a broader consumer base. 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 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, and offer more product portfolios with high quality-price ratio. 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. 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 collaboration with selective and qualified domestic 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 such as Douyin.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets out the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2024 and comparative figures for the six months ended June 30, 2023:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Revenue	2,664,999	2,760,906
Cost of Sales	<u>(2,056,079)</u>	<u>(2,182,762)</u>
Gross Profit	608,920	578,144
Other income and gains, net	31,350	78,665
Selling and distribution expenses	(301,976)	(265,030)
Administrative expenses	(220,987)	(216,316)
Other expenses	(570)	(2,349)
Finance costs	(2,340)	(3,183)
Impairment losses on financial assets, net of reversal	<u>1,406</u>	<u>(7,693)</u>
Profit before tax	115,803	162,238
Income tax expense	<u>(30,295)</u>	<u>(45,668)</u>
Profit for the period	<u>85,508</u>	<u>116,570</u>
Profit attributable to		
Owners of the parent	85,984	107,697
Non-controlling interests	<u>(476)</u>	<u>8,873</u>

Revenue

The following table sets forth a breakdown of the Group's revenue by nature and channel for the six months ended June 30, 2023 and June 30, 2024, in absolute dollars and as a percentage of total revenue:

	Six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(unaudited)		(unaudited)	
Sales of home meal products and related products	2,587,178	97.1	2,686,319	97.3
Sales to franchisees	2,338,188	87.8	2,400,777	87.0
Other sales channels	248,990	9.3	285,542	10.3
Service income	77,821	2.9	74,587	2.7
Total	2,664,999	100.0	2,760,906	100.0

The total revenue of the Group decreased by approximately 3.5% from RMB2,760.9 million for the six months ended June 30, 2023 to RMB2,665.0 million for the six months ended June 30, 2024.

Revenue from the sale of home meal products and related products accounted for the majority of the Group's total revenue, representing 97.3% and 97.1% of the total revenue for the six months ended June 30, 2023 and June 30, 2024, respectively. Such revenue decreased by approximately 3.7% from RMB2,686.3 million for the six months ended June 30, 2023 to RMB2,587.2 million for the six months ended June 30, 2024, mainly due to the decrease in sales to consumers by franchisees. Service income increased by approximately 4.3% from RMB74.6 million for the six months ended June 30, 2023 to RMB77.8 million for the six months ended June 30, 2024, mainly due to the service income generated in 2024 from new franchised stores opened in mid-2023.

Cost of Sales

Cost of sales decreased by approximately 5.8% from RMB2,182.8 million for the six months ended June 30, 2023 to RMB2,056.1 million for the six months ended June 30, 2024, mainly due to the decrease in the cost of inventories sold as a result of lower product sales.

Gross Profit and Gross Profit Margin

Gross profit increased by 5.3% from RMB578.1 million for the six months ended June 30, 2023 to RMB608.9 million for the six months ended June 30, 2024, and gross profit margin improved from 20.9% for the six months ended June 30, 2023 to 22.8% for the six months ended June 30, 2024, mainly due to the enhanced cost control capabilities resulting from scale advantages, the continuous increase in the proportion of self-production, as well as the additional gross profit generated from the development of certain new products and the upgrade of certain existing products.

Other Income and Gains, Net

Other income and gains, net decreased by 60.1% from RMB78.7 million for the six months ended June 30, 2023 to RMB31.4 million for the six months ended June 30, 2024, primarily due to the change from unrealized fair value gains on unlisted convertible redeemable preferred shares at fair value through profit or loss, to losses, partially offset by the increase in interest income from deposits and foreign exchange gains during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by 14.0% from RMB265.0 million for the six months ended June 30, 2023 to RMB302.0 million for the six months ended June 30, 2024. This was mainly due to the Group's increased investment in brand building, as well as the construction of sales channels such as Douyin, live-streaming e-commerce, and farmer's market store formats.

Administrative Expenses

Administrative expenses slightly increased by 2.2% from RMB216.3 million for the six months ended June 30, 2023 to RMB221.0 million for the six months ended June 30, 2024.

Profit Before Tax

As a result of the above, the Group recorded a profit before tax of RMB115.8 million for the six months ended June 30, 2024, representing a decrease of approximately 28.6% as compared to that of RMB162.2 million for the six months ended June 30, 2023.

Income Tax Expense

Income tax expense decreased by approximately 33.7% from RMB45.7 million for the six months ended June 30, 2023 to RMB30.3 million for the six months ended June 30, 2024, which was mainly due to the decrease in taxable income.

Profit for the Reporting Period

As a result of the foregoing, the net profit of the Group for the Reporting Period decreased by approximately 26.7% from RMB116.6 million for the six months ended June 30, 2023 to RMB85.5 million for the six months ended June 30, 2024. The net profit margin of the Group decreased from 4.2% for the six months ended June 30, 2023 to 3.2% for the six months ended June 30, 2024.

Non-IFRS Measures

To supplement the Group's consolidated financial information prepared and presented in accordance with International Financial Reporting Standards (the "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 the Group's net profit for the Reporting Period adjusted for 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 Reporting Period by the total revenue for the Reporting Period.

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

The Group uses unaudited non-IFRS measures as additional financial measures to supplement the consolidated financial information and to assess the Group's financial performance by eliminating the impact of certain non-recurring items that the Group considers to be non-indicators of the Group's business performance and items affecting comparability. 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 and items affecting comparability.

The following table sets out a reconciliation of adjusted net profit and adjusted net profit margin (non-IFRS measures) for the Reporting Period indicated to the most directly comparable financial measures measured and reported under IFRSs (i.e. net profit for the Reporting Period and net profit margin for the Reporting Period):

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit for the Reporting Period (as reported under IFRSs)	85,508	116,570
Adjusted as follows:		
Listing Expenses	–	16,933
Adjusted net profit for the Reporting Period (non-IFRS measure)	85,508	133,503
Net profit margin (as reported under IFRSs)	3.2%	4.2%
Adjusted net profit margin (non-IFRS measure)	3.2%	4.8%

The following table sets out a reconciliation of core operating profit and core operating profit margin (non-IFRS measures) for the Reporting Period indicated to the most directly comparable financial measures measured and reported under IFRSs, namely net profit for the Reporting Period and net profit margin for the Reporting Period:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Net profit for the Reporting Period (as reported under IFRSs)	85,508	116,570
Adjusted as follows:		
Listing Expenses	–	16,933
Loss/(gain) on fair value changes on unlisted convertible redeemable preferred shares	39,351	(14,420)
Core operating profit for the Reporting Period (non-IFRS measure)	124,859	119,083
Net profit margin (as reported under IFRSs)	3.2%	4.2%
Core operating margin (non-IFRS measure)	4.7%	4.3%

Liquidity and Capital Resources

For the six months ended June 30, 2024, the Group generated cash from operating activities of RMB170.0 million, as compared to RMB264.7 million for the six months ended June 30, 2023.

As at June 30, 2024, the Group's cash and bank deposits amounted to RMB2,053.0 million, comprising long-term bank deposits of RMB104.4 million, cash and bank balances of RMB1,880.7 million and restricted cash of RMB67.9 million, representing an increase of 6.1% from RMB1,935.7 million as at December 31, 2023.

As at June 30, 2024, the Group's interest-bearing bank and other borrowings amounted to RMB69.2 million, comprising non-current interest-bearing bank and other borrowings of RMB35.1 million and current interest-bearing bank and other borrowings of RMB34.1 million, representing a decrease of 13.8% from RMB80.3 million as at December 31, 2023. All borrowings are denominated in RMB and bear interest at fixed rates. The Group has not implemented any interest rate hedging policy.

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

Capital Structure

As at June 30, 2024, the net asset value of the Group amounted to RMB3,238.4 million, as compared to RMB3,378.8 million as at December 31, 2023. The net asset value as at June 30, 2024 mainly comprised current assets of RMB3,116.7 million, non-current assets of RMB1,273.1 million, current liabilities of RMB1,058.9 million and non-current liabilities of RMB92.5 million.

As at June 30, 2024, the Group's cash and cash equivalents were mainly denominated in RMB. As at December 31, 2023, the Group's cash and cash equivalents were mainly denominated in RMB and HK\$.

The Group's gearing ratio (gearing ratio equals total interest-bearing borrowings and lease liabilities divided by total interest-bearing borrowings, lease liabilities and total equity attributable to owners of the parent during the relevant period, multiplied by 100%) decreased from 3.3% as at December 31, 2023 to 3.0% as at June 30, 2024.

Financial Risks

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 is insignificant. The Group has cash at bank in foreign currencies which expose the Group to foreign exchange risk. The Group does not use any derivative contracts to hedge its foreign exchange risk. The Group manages its foreign exchange risk by closely monitoring the fluctuations in foreign currency exchange rates and will take prudent measures to minimize the currency translation risk.

Inventories

The inventory of the Group decreased by 39.6% from RMB719.5 million as at December 31, 2023 to RMB434.3 million as at June 30, 2024. Inventory turnover days decreased from 68.0 days in 2023 to 51.2 days for the six months ended June 30, 2024 due to the decrease in stockpiling during the off-season.

Trade Receivables

The Group's trade receivables decreased from RMB54.3 million as at December 31, 2023 to RMB48.6 million as at June 30, 2024. Trade receivables turnover days decreased from 6.0 days in 2023 to 3.5 days for the six months ended June 30, 2024.

Trade Payables

The Group's trade payables decreased from RMB457.3 million as at December 31, 2023 to RMB314.8 million as at June 30, 2024. The trade payables turnover days decreased slightly from 39.8 days in 2023 to 34.3 days for the six months ended June 30, 2024.

Pledged Assets

As at June 30, 2024, the Group had pledged property, plant and equipment amounting to RMB107.9 million and right-of-use assets amounting to RMB11.6 million for its interest-bearing bank and other borrowings.

Capital Management

Our primary objectives for 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 and adjust our capital structure to take into account changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust dividends paid 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 June 30, 2024, the Group's capital commitments amounted to approximately RMB25.0 million, which was mainly used for purchase of property, plant and equipment.

Contingent Liabilities

As at June 30, 2024, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2024, the Group did not hold any significant investments. During the Reporting Period, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

As at June 30, 2024, save as disclosed in the Prospectus, the Group did not have plans for material investments and capital assets.

Employees and Employee Benefit Expenses

As at June 30, 2024, the Group had a total of 2,059 employees. During the Reporting Period, the Group incurred total employee benefit expenses of RMB245.2 million.

The Group recruits employees mainly through 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, to recognize and encourage employees who have made outstanding contributions to the Group's business. The Group's remuneration policy is generally competitive.

Environment, Society and Governance

We recognize that environmental, social and governance (“ESG”) matters are critical to our continued growth. We are committed to integrating ESG standards into our day-to-day business activities. We have been and will continue to be committed to sustainable business development with a focus on product quality and safety, consumer services, employment compliance, environmental protection and social responsibility. On April 29, 2024, we published our 2023 ESG Report, which can be found on pages 100 to 185 of our 2023 annual report.

Share Scheme

As at June 30, 2024, the Company has not adopted any employee share schemes, share option schemes or restricted share unit schemes.

Events after the Reporting Period

Continuing Connected Transactions

Since January 1, 2024 and up to the date of this announcement, Henan Huading Cold Chain Warehousing & Distribution Technology Co., Ltd. (河南華鼎冷鏈倉配科技有限公司) (“**Huading Cold Chain**”) has been providing integrated digital cold chain warehousing and logistics services to the Group. With effect from July 22, 2024, Huading Cold Chain became a wholly-owned subsidiary of Guoquan Industry (Shanghai) Co., Ltd. (鍋圈實業(上海)有限公司) (“**Guoquan Industry**”), a controlling shareholder of the Company, and subsequently became a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Accordingly, the Company (on behalf of the Group) entered into the Framework Agreement for the Procurement of Services (the “**Services Procurement Framework Agreement**”) with Huading Cold Chain (on behalf of Huading Cold Chain and its associates) on July 22, 2024, pursuant to which the Group has agreed to procure cold chain warehousing and logistics services from Huading Cold Chain and its associates for a term commencing from July 22, 2024 and ending on December 31, 2026, which may be renewed by mutual consent of both parties. The annual caps under the Services Procurement Framework Agreement for the three years ending December 31, 2026 are RMB140,000,000, RMB225,000,000 and RMB225,000,000, respectively.

The entering into of the Services Procurement Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio in respect of the annual caps for the Services Procurement Framework Agreement for the purposes of Chapter 14A of the Listing Rules exceeds 0.1% but is less than 5%, the transactions contemplated under the Services Procurement Framework Agreement are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including the opinion of the independent financial adviser) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

For further details, please refer to the Company’s announcement dated July 22, 2024.

H-Share “Full Circulation”

The Company has recently received a filing notice (the “**Filing Notice**”) dated August 23, 2024, from the China Securities Regulatory Commission (the “**CSRC**”) regarding the implementation of the H Share Full Circulation by the Company. According to the Filing Notice, the Company has completed the filing with the CSRC in respect of the implementation of conversion of 11,353,576 Domestic Unlisted Shares held by the Shareholder, Moutai (Guizhou) Investment Fund Partnership (Limited Partnership) (茅台(貴州)投資基金合夥企業 (有限合夥)), into 11,353,576 H Shares. The Filing Notice will be valid for 12 months from August 23, 2024. The Company will apply to the Stock Exchange for the listing of and permission to deal in the relevant H Shares on the Main Board of the Stock Exchange (the “**Conversion and Listing**”).

As of the date of this announcement, the details of implementation plan of the Conversion and Listing have not been finalised. The Company will make further announcements on the progress of the Conversion and Listing in compliance with the requirements under the Listing Rules and the applicable laws, as and when appropriate.

Use of Proceeds from Global Offering

From the date of listing of the Company's shares until June 30, 2024, the Group has gradually used the proceeds from the initial public offering for the intended purposes set out in the Prospectus. The aggregate net proceeds from the Global Offering, after deduction of underwriting fees and other related expenses, amounted to approximately HK\$448.7 million.

As at June 30, 2024, the Group had 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 the aggregate net proceeds from the Global Offering, and the remaining unutilized proceeds was approximately HK\$428.9 million. For details, please refer to the table below:

		Net proceeds from the Global Offering (HK\$ million)	Unutilized amount as at December 31, 2023 (HK\$ million)	Actual amount utilized during the six months ended June 30, 2024 (HK\$ million)	Unutilized amount as at June 30, 2024 (HK\$ million)	Expected timeline for fully utilizing unutilized amount
	% of total net proceeds					
Construction, investment or acquisition of plants	25%	112.1	112.1	-	112.1	On or before December 31, 2027
Upgrade and expand our existing plants and production lines	15%	67.3	67.3	-	67.3	On or before December 31, 2027
Open and operate our self-operated stores	40%	179.5	179.5	-	179.5	On or before December 31, 2027
Build product R&D centers as well as upgrade and purchase related equipment	10%	44.9	44.9	-	44.9	On or before December 31, 2027
Working capital and general corporate uses	10%	44.9	25.1	-	25.1	On or before December 31, 2027
Total	100%	448.7	428.9	-	428.9	

The balance of the proceeds of the Global Offering will be utilized in the manner disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

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

Interim Dividend

The Board resolved not to declare an interim dividend for the six months ended June 30, 2024.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2024

	<i>Notes</i>	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
REVENUE	4	2,664,999	2,760,906
Cost of sales		<u>(2,056,079)</u>	<u>(2,182,762)</u>
Gross profit		608,920	578,144
Other income and gains, net	5	31,350	78,665
Selling and distribution expenses		(301,976)	(265,030)
Administrative expenses		(220,987)	(216,316)
Other expenses		(570)	(2,349)
Finance costs	7	(2,340)	(3,183)
Impairment loss on financial assets, net of reversal	6	1,406	<u>(7,693)</u>
PROFIT BEFORE TAX	6	115,803	162,238
Income tax expense	8	(30,295)	<u>(45,668)</u>
PROFIT FOR THE PERIOD		85,508	<u>116,570</u>
Profit attributable to:			
Owners of the parent		85,984	107,697
Non-controlling interests		(476)	<u>8,873</u>
		85,508	<u>116,570</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the period (RMB cents)	10	3.13	<u>4.03</u>
Diluted			
– For profit for the period (RMB cents)	10	3.13	<u>4.03</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Six Months ended June 30, 2024

	2024 <i>RMB'000</i> (unaudited)	2023 <i>RMB'000</i> (unaudited)
PROFIT FOR THE PERIOD	85,508	116,570
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(37)</u>	<u>(102)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(37)</u>	<u>(102)</u>
Other comprehensive loss 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	<u>(101,149)</u>	<u>(5,744)</u>
Income tax effect	<u>25,287</u>	<u>1,436</u>
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	<u>(75,862)</u>	<u>(4,308)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(75,899)	(4,410)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	9,609	112,160
Total comprehensive income/(loss) attributable to:		
Owners of the parent	<u>10,085</u>	103,287
Non-controlling interests	<u>(476)</u>	8,873
	9,609	112,160

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

	<i>Notes</i>	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		466,440	440,820
Right-of-use assets		128,188	135,714
Goodwill		138,010	138,010
Other intangible assets		54,335	58,233
Investment in an associate		2,300	2,070
Equity investments designated at fair value through other comprehensive income		151,941	253,090
Other non-current assets		18,363	24,524
Financial assets at fair value through profit or loss		157,393	209,861
Long-term bank deposits		104,436	453,871
Deferred tax assets		51,721	60,160
		1,273,127	1,776,353
Total non-current assets			
CURRENT ASSETS			
Inventories		434,341	719,515
Trade receivables	<i>11</i>	48,564	54,263
Prepayments, other receivables and other assets		474,017	408,668
Restricted cash		67,891	64,220
Financial assets at fair value through profit or loss		211,138	211,031
Cash and bank balances		1,880,731	1,417,596
		3,116,682	2,875,293
Total current assets			

	<i>Notes</i>	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
CURRENT LIABILITIES			
Trade payables	12	314,818	457,297
Other payables and accruals		691,978	577,296
Interest-bearing bank and other borrowings		34,063	72,135
Lease liabilities		17,451	17,849
Tax payables		570	43,311
Total current liabilities		<u>1,058,880</u>	<u>1,167,888</u>
NET CURRENT ASSETS		<u>2,057,802</u>	<u>1,707,405</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,330,929</u>	<u>3,483,758</u>
NON-CURRENT LIABILITIES			
Deferred income		17,315	18,260
Interest-bearing bank and other borrowings		35,113	8,139
Lease liabilities		10,071	12,162
Deferred tax liabilities		30,013	66,414
Total non-current liabilities		<u>92,512</u>	<u>104,975</u>
Net assets		<u>3,238,417</u>	<u>3,378,783</u>
EQUITY			
Share capital		2,747,360	2,747,360
Reserves		381,765	514,817
		<u>3,129,125</u>	<u>3,262,177</u>
Non-controlling interests		<u>109,292</u>	<u>116,606</u>
Total equity		<u>3,238,417</u>	<u>3,378,783</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2023.

The interim condensed 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 interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period's financial information.

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

The application of these revised IFRSs in the Reporting Period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3. 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 during the Reporting Period.

4. REVENUE

An analysis of revenue is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers		
Sale of home meal and other food related products	2,587,178	2,686,319
Operational support services	77,821	74,587
	<hr/>	<hr/>
Total revenue from contracts with customers	2,664,999	2,760,906
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
Goods transferred at a point in time	2,587,178	2,686,319
Services transferred over time	77,821	74,587
	<hr/>	<hr/>
Total revenue from contracts with customers	2,664,999	2,760,906
	<hr/> <hr/>	<hr/> <hr/>

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.

5. OTHER INCOME AND GAINS, NET

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Other income		
Government grants related to		
– income (i)	41,073	39,717
– assets (ii)	945	387
Interest income	21,956	14,540
Others	7,890	1,823
	<hr/>	<hr/>
Total other income	71,864	56,467
	<hr/> <hr/>	<hr/> <hr/>
Gains, net		
Foreign exchange differences, net	5,969	79
Realised fair value gains from financial assets at fair value through profit or loss	2,312	1,080
Unrealised fair value changes on financial assets at fair value through profit or loss		
– Wealth management products	1,107	1,020
– Unlisted convertible redeemable preferred shares	(52,468)	19,226
Share of profits of an associate	230	24
Dividend income from equity investments designated at fair value through other comprehensive income	2,000	–
Gain/(loss) on early termination of leases	91	(23)
Gain on disposal of items of property, plant and equipment, net	245	792
	<hr/>	<hr/>
Total (losses)/gains	(40,514)	22,198
	<hr/> <hr/>	<hr/> <hr/>
Total other income and gains	31,350	78,665
	<hr/> <hr/>	<hr/> <hr/>

- (i) The government grants related to income have been received to reward for the Group's contribution to the local economic growth. These grants related to income are recognised in the interim condensed consolidated statement 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 interim condensed consolidated statement of profit or loss over the useful lives of relevant assets.

6. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold*	1,967,922	2,083,005
Depreciation of property, plant and equipment	22,835	17,663
Depreciation of right-of-use assets	16,592	17,177
Expenses relating to short-term leases	4,951	2,470
Amortisation of other intangible assets**	4,212	4,701
Employee benefit expense (including directors', chief executive's and supervisors' remuneration):		
Wages and salaries	200,873	179,099
Pension scheme contributions, social welfare and other welfare***	29,304	29,936
Other employee benefits	15,043	14,292
Research and development cost****	5,594	3,787
Listing expenses	–	22,577
Impairment loss on financial assets, net of reversal	(1,406)	7,693
Impairment of inventories, net of reversal	(494)	1,618
Auditor's remuneration	700	330
Gain on disposal of items of property, plant and equipment, net	(245)	(792)
Government grants	(42,018)	(40,104)
Foreign exchange differences, net	(5,969)	(79)
Interest income	(21,956)	(14,540)
Finance costs	2,340	3,183

* Cost of inventories sold 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.

** The amortisation of other intangible assets is included in administrative expenses and selling and distribution expenses in the interim condensed 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 cost 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Interest on bank and other borrowings	1,652	2,407
Interest on lease liabilities	688	925
	<u>2,340</u>	<u>3,332</u>
Less: Interest capitalised	–	149
Total	<u><u>2,340</u></u>	<u><u>3,183</u></u>

8. INCOME TAX

	Six months ended June 30,	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Current – PRC		
Charge for the period	30,328	2,076
Under/(over) provision in prior years	2,642	(549)
Deferred income tax	<u>(2,675)</u>	<u>44,141</u>
Total	<u><u>30,295</u></u>	<u><u>45,668</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 set out below.

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

HK profit tax

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

9. DIVIDENDS

The 2023 final dividend of RMB0.0521 (tax inclusive) per ordinary share, equivalent to an aggregate amount of RMB143,137,000 was approved by the Company's shareholders at the annual general meeting on June 27, 2024.

No dividend has been paid or declared by the Company during the six months ended June 30, 2024 (June 30, 2023: nil).

10. 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 period attributable to owners of the parent, and the weighted average number of ordinary shares of 2,747,360,400 (June 30, 2023: 2,670,000,000) in issue during the period. 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.

	Six months ended June 30,	
	2024	2023
	(unaudited)	(unaudited)
Profit attributable to owners of the parent (RMB'000)	<u>85,984</u>	<u>107,697</u>
Weighted average number of ordinary shares used in the basic earnings per share calculation	<u>2,747,360,400</u>	<u>2,670,000,000</u>
Basic earnings per share (RMB cents)	<u><u>3.13</u></u>	<u><u>4.03</u></u>

No diluted earnings per share for both periods was presented as there were no dilutive potential ordinary shares in issue during both current and prior periods.

11. TRADE RECEIVABLES

	June 30,	December 31,
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	<u>54,460</u>	61,565
Impairment	<u>(5,896)</u>	<u>(7,302)</u>
Total	<u><u>48,564</u></u>	<u><u>54,263</u></u>

The amounts due from a related party included in the Group's trade receivables is nil as at June 30, 2024 (December 31, 2023: RMB4,000).

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:

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 1 month	39,826	30,598
1 to 3 months	3,057	5,291
3 to 6 months	5,012	1,600
6 to 12 months	641	16,771
1 to 2 years	28	3
	<hr/>	<hr/>
Total	48,564	54,263
	<hr/> <hr/>	<hr/> <hr/>

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

12. 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:

	June 30, 2024 RMB'000 (unaudited)	December 31, 2023 RMB'000 (audited)
Within 1 month	246,859	404,909
1 to 3 months	53,788	49,064
3 to 6 months	12,380	1,325
6 months to 1 year	920	900
Over 1 year	871	1,099
	<hr/>	<hr/>
	314,818	457,297
	<hr/> <hr/>	<hr/> <hr/>

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

The amounts due to a related party included in the Group's trade payables is nil (December 31, 2023: RMB4,916,000).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

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. During the Reporting Period, the Company has complied with all applicable code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Listing Rules, except for the deviation from code provision C.2.1 in part 2 of the CG Code as disclosed below.

Under the code provision C.2.1 in part 2 of the CG Code, the roles of 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 Reporting Period, the chairperson 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 as mentioned above, Mr. Yang is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board 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 dealings in securities of the Company by Directors, Supervisors and relevant employees of the Company (i.e. employees who may have inside information of the Company).

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

During the Reporting Period, no incident of non-compliance with the Model Code by relevant employees of the Company have been identified.

Compliance with Laws and Regulations

During the six months ended June 30, 2024, to the best knowledge of the Board, the Group has complied in all material respects with the relevant PRC laws and regulations which may have a significant impact on the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities or sold any treasury shares during the Reporting Period. As at June 30, 2024, the Company did not hold any treasury shares.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim condensed consolidated results of the Group for the six months ended June 30, 2024, and concluded that they have complied with appropriate accounting principles, standards and regulations, and adequate disclosures have been made. The interim results for the six months ended June 30, 2024 are unaudited but have been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF 2024 INTERIM RESULTS AND 2024 INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (<https://ir.zzqsh.com>). The interim report of the Company for the six months ended June 30, 2024 will also be available on the above websites and dispatched to the Shareholders who requested the printed copy in due course.

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

Hong Kong, August 28, 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 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.