BEST FOOD HOLDING COMPANY LIMITED

百 福 控 股 有 限 公 司

(Formerly known as Lee & Man Handbags Holding Limited 理文手袋集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01488)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

— Revenue of RMB751.8 million for the year, increased by 57.4% as compared to the last corresponding period.

— Net profit of RMB20.7 million for the year, increased by 109.6% as compared to the last corresponding period.

— Gross profit margin increased from 31.0% to 46.2% for the year.

— Net profit margin increased from 2.1% to 2.8% for the year.

— Basic earnings per share increased from RMB1.05 cents to RMB1.61 cents for the year.

— The Directors have proposed the payment of a final dividend of HK1.5 cents per share for the year.

ANNUAL RESULTS

The board of directors (the "**Directors**") of Best Food Holding Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017.

COMMENTARY

Results Summary of the Group

Since becoming the controlling shareholder of the Group in the second half of 2016, Hony Capital has spared no effort in investing resources into the Group and proceeded to promote its business optimization. In 2017, not only did the Group realize a complete turnaround in its overall results, it opened up scope for future growth and made fundamental changes to its profitability.

By introducing the food and beverage segment on top of the original handbag business, the Group successfully reversed the continuous decline in revenue from 2014 to 2016. While maintaining the stability of the handbag segment, the Group committed to intensive capital operation and operation improvement for the food and beverage business over a year, which brought substantial increase in the overall revenue of the Group within a short period of time as well as significantly boosting the Group's profitability. For the twelve months ended 31 December 2017, the Group recorded revenue of approximately RMB751.8 million, which increased by 57.4% as compared to last year. Gross margin increased from 31.0% to 46.2%. Profit for the period was approximately RMB20.7 million, which increased by 109.6% as compared to last year (Of which, the none-recurring interest expenses for the issue of CB were RMB7.4 million).

The introduction of the food and beverage segment endowed the Group with the capacity of advancing its dual principal activities side by side, which not only significantly mitigated the cyclical risks historically faced by the Group with the handbag segment as its single principal activity, but also rejuvenated the listed company. For the past year, the food and beverage segment of the Group acquired 10 brands through investments in subsidiaries or equity investments, including regional leading brands with stable profitability such as HHG, as well as rapidly ascending second-tier brands such as "West Master", "Yujian Xiaomian" and "Foook". In 2017, each brand under the food and beverage segment achieved growth rates far exceeding the industry level. The intrinsic equity value of each brand significantly appreciated due to their results (the appreciated valuation of joint-stock brands are not reflected in the financial statements of the Group). With continuous support from the Group, each brand will demonstrate immense profit potential after reaching the stage of large-scale chain operation. The excellent results are the outcome of not only inherent quality of these brands and efforts from our management team, but also the value-added service system established by the Group. The Group successively set up the Internet marketing center, Best Food University and big data center, capable of providing platform-based value-added services on a preliminary level in 2017. For the twelve months ended 31 December 2017, the food and beverage segment had 306 stores (up from 129 as at 31 December 2016), recorded total revenue of invested companies of RMB811.2 million, while the revenue attributed to the Group amounted to RMB409.5 million. The gross margin of the food and beverage segment was 61.8%.

After a year of adjustment and consolidation, the handbag segment, pruned and streamlined, re-focused on the handbag manufacturing business, where the core competitive advantage lay, effectively optimizing its profitability, and turned around to profit. For the twelve months ended 31 December 2017, the manufacturing and sales of handbags segment recorded revenue of RMB342.3 million, and the gross margin was 27.6%.

Looking forward into 2018, the Group will adhere to the dual-wheel driven strategy using investment management and operation management as a core method for achieving continuous value-based growth. On the one hand, the Group will continue to acquire assets with healthy profitability and excellent growth potential through investment management. On the other hand, it will establish a group-level multi-dimensional operation-supporting system covering, among others, brand operation, management information system, human resources and supply chain to advance operation efficiency, lower costs and enhance brand influence for the Group's business segments, achieving constant growth in overall corporate value of Best Food Holding.

In 2017, the food and beverage segment made a strong impact in the industry. It had acquired a number of emerging leading brands in several subdivisions of food and beverage, and preliminarily established a back-office supporting system capable of integrating resources and achieving synergy. The manufacturing and sales of handbags segment went through one year of adjustment, optimization and pruning, whereby resources were recalibrated towards the handbag manufacturing business, where the core competitive advantage lay, therefore effectively optimizing its profitability. In 2018, the Group will accelerate its investments in subsidiaries and gradually realize the potential value to be produced by its high-growth joint-stock brands.

In 2018, the Company will conduct further adjustments in terms of capacity layout and personnel structure, elevate efficiency, enhance cost control and streamline management expenses while maintaining stable orders, prompting a steady development for the manufacturing and sales of handbags segment. Meanwhile, the two segments have substantial potential for synergy in terms of corporate development strategy and planning and human resources system.

We are aware that even the longest journey could only be completed with one step after another, and 2017 marked a solid step for the Group. In 2018, the Group will continue to quicken its pace in building up operation management capacity, enhance resource coordination and sharing, achieve optimization in both costs and efficiency, and further promote the profitability of each segment.

Food and Beverage Segment

Industry Review and Prospects

According to the National Bureau of Statistics of China, the domestic revenue of food and beverage industry amounted to approximately RMB4 trillion in 2017, with growth of 10.7% compared to that of the corresponding period of last year. The growth rate was higher than that of the aggregate retail sales of social consumer goods.

We observed that during the past year, China's food and beverage industry underwent massive shifts and rapid changes beneath its overall speedy growth. However, despite the constant emergence of new brands and new technologies, the nature of the food and beverage industry remained unchanged. The increase of disposable income per capita, the rise of urbanization level and the accelerating pace of life remained the base driving forces behind the long-term and constant growth of China's food and beverage service market. Meanwhile, during the evolutionary process of consumption upgrade, safety, convenience, reasonable price and high-quality product remained to be the basic pursuits of consumers. Figuring out how to achieve the best balance among cost, efficiency and consumption experience while maintaining swift growth was still the core factor for a food and beverage brand to gain a differentiated competitive edge.

In 2016, we remarked that China's food and beverage industry was experiencing significant and drastic changes. During the past year, we observed that one important aspect of the changes arose from the innovation in the operation model and organization form within the industry. The magnifying effect of mobile internet enabled emerging brands to obtain immediate and explosive exposure within a short period of time, while also providing them with the opportunity to quickly breach through obstacles in terms of brand marketing, personnel training, information system, supply chain, channel expanding and product research and development system, which was complex systematic work reliant on support from the system. New platform-based enterprises had also begun to emerge, and by way of establishing a collaborative network covering each central step in the operating process of food and beverage, they provided single food and beverage brands with "capacities", helping them quickly break through the "sound barrier" and leap forward in its process of development.

Strategic Planning Review and Prospects

Taking into account the state-of-the-art of China's food and beverage industry, Best Food now upholds its strategy of promoting the continuous growth of corporate value through a dual-wheel driven strategy using investment management and operation management.

For investment management, the revenue and profit from the controlling projects represented an important source of revenue for the food and beverage segment as well as a core component of collaborative network, and therefore the Group will place great emphasis on completing the layout of core controlling brands. For joint-stock brand investment, strict standards will be applied to single out brands boasting a size to a certain extent, possessing unique features and having established a leading position in its own category. Meanwhile, the Group will enhance its efficiency in each stage of operation of its brands and accelerate their development by tapping into group-level systematic value-added services.

In respect of the operational management, the Group will pool its resources to build a value-added service platform, strengthening its systematic support capacity for its brands in terms of internet marketing, training and human resources, supply chain synergy, channel expanding and product research and development. Meanwhile, the Group will further bring the operation process online with new internet technologies, so as to achieve real-time sharing of each system supporting module on the platform, promote collaborative efficiency and form data sediment and accumulation. In the future, the Group will gradually provide data intelligence-based decision support capacity to its brands.

During the past year, the Group marched forward with courage, and the strategic direction being practiced by Best Food Holding represented the possible path of future breakthrough for China's food and beverage industry.

Business Progress

Development in Investment and Investment Management

In 2016, the Group acquired the controlling interest of HHG, a leading fast food chain in Beijing featuring rice meals, and acquired a non-controlling interest in Yujian Xiaomian, a prominent emerging brand, and West Master, a leading Chinese fast food brand in Beijing. In addition, the Group entered into an investment contract with Sexy Salad, a rapidly emerging and prominent brand of salad within the food and beverage industry in China in March 2017 and completed the first round of investment in April. It entered into investment contracts with Yuepin in March 2017, who owns two iconic brands of Vietnamese cuisine, Muine and Pho Nam, with Claypot King in April 2017, a brand of typical Cantonese-style clay pot rice, and further with Dafulan in May 2017, a prominent emerging brand featuring Hunan rice noodle and traditional snacks. The Group completed the first round of investments in all these brands in July 2017. In May 2017, the Group entered into an investment contract with Seesaw Coffee, a typical specialty coffee brand, and completed its first round of investment in October. In October 2017, the Group signed with Foook, an upgraded notable brand for spicy hot pot, and in September 2017, the Group signed with "Xinyi Technology", a service provider of information system for the food and beverage chain. The Group completed the first round of investments in these brands in December. In 2018, the Group will promote the investments in the Controlling Brands with increased efforts, and gradually realize the potential value to be produced by its high-growth Joint-Stock brands.

Establishment of Management Platform

In 2017, the Group set up the basic structure of the platform for value-added services based on core modules of operation, and has hence gained preliminary capacity for control and value-added services.

For example, the Group established an internet marketing center, commenced the construction of an internet-based marketing platform and achieved synergy amongst the brands under Best Food Holding based on the offline store network of the brands. The Group sought for crossover brand resources under Lenovo and Hony to conduct joint marketing activities with its own brands, while advancing the launch of membership system for its brands as well as online retail business of food and beverage derivatives.

For human resources and training, the Group had formed a team of experts and established Best Food University. Taking into account the common demands of its brands, the Group will provide management skill training for the management at all levels.

For information system, the Group had established a big data center and, based on the current information systems of each brand, accessed data interfaces and built a data collection and analysis system based on SAAS structure.

Controlling Brand

HHG

Store Network: In 2017, HHG had a total of 143 stores, of which 23 were franchised stores and 32 were newly opened. In 2018, HHG will continue its intensive business development in Beijing and North China, while increasing trial regions for the franchising of the business. Meanwhile, overseas expansion is being rolled out in an orderly fashion.

Sales Growth: HHG continues ameliorating its store service model, striving to improve the consumer experience. Meanwhile, HHG further upgrades its store image, enhancing the fashionableness while optimizing the store layout. In addition, HHG keeps improving overall consumer experience through optimizing the menu, launching new products, adjusting dish varieties, reviewing pricing strategy and improving dining environment. For the period ended 31 December 2017, the revenue of HHG amounted to approximately RMB409.5 million, which increased by 19.6% as compared to last corresponding period of last year.

Comparable Same-store Sales Growth: The comparable same-store sales growth rate of HHG for 2017 was 6.5%, sustaining a fairly high same-store growth level. During this period, HHG increased its efforts into expanding the take-out business and augmented the online operation team. Take-out sales of HHG increased significantly in 2017, accounting for over 40%.

Supply Chain: In 2017, HHG obtained a parcel of land, the plant and production facilities for the setup of a central kitchen in Baodi, Tianjin. Meanwhile, HHG further improved the processing capacity of the central kitchen in Beijing. In the future, besides meeting the demands of its own store, HHG will expand third-party customers, including other food and beverage companies, convenience stores and hypermarkets, and expand its business scope and take full advantage of its vertical supply chain.

Attached is the statement profit or loss of HHG for the year ended 31 December 2017.

STATEMENT OF PROFIT OR LOSS OF HHG

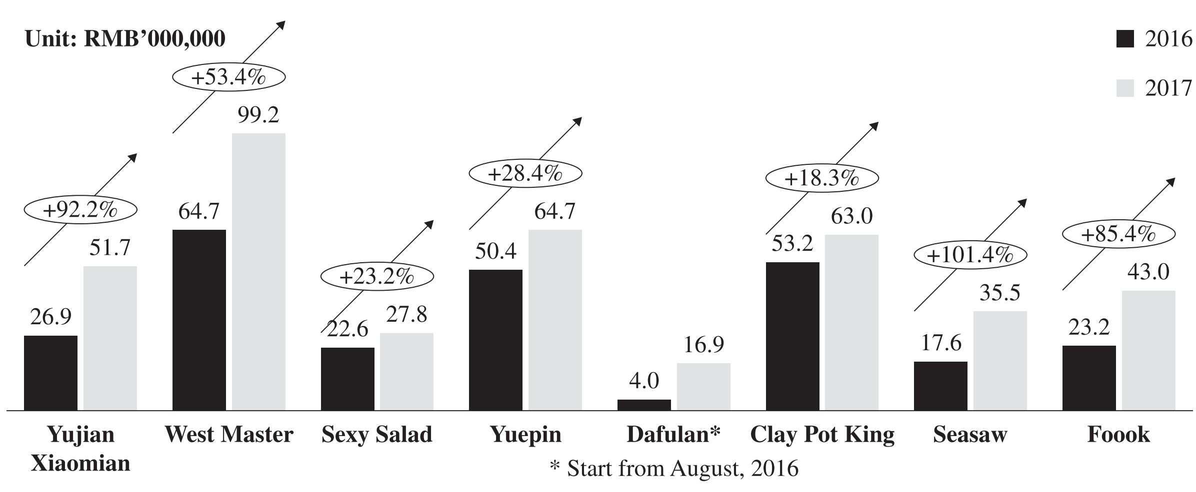
For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Revenue	**409,524**	342,446
Cost of sales	**(156,592)**	(145,766)
Gross Profit	**252,932**	196,680
Distribution and selling expenses	**(185,510)**	(156,873)
General and administrative expenses	**(27,661)**	(26,186)
Other income	**4,148**	1,920
Other losses, net	**(1,117)**	—
Finance income	**203**	—
Finance expenses	**—**	(536)
Profit before taxation	**42,995**	15,005
Income tax expense	**(11,738)**	(4,313)
Profit for the year	**31,257**	10,691

Joint-Stock Brands

In 2017, all Joint-Stock Brands of the Group achieved fairly rapid growth with the improvement of operating systems. The investment and support to all operating circles from the Group laid a solid foundation for the rapid development of these brands in the future. The following is a summary of business data for the year ended 31 December 2017 of the associates invested up to the date of this announcement.

Revenue of Associates for the year ended 31 December 2016/17 and Year-on-year Growth



Yujian Xiaomian

Yujian Xiaomian, under Guangzhou Yujian Xiaomian, is a new prominent chain brand established in Guangzhou in 2014, the central product of which is Chongqing small noodles. For the year ended 31 December 2017, the revenue of Yujian Xiaomian amount to RMB51.7 million, increased by 92.2% as compared to last year.

West Master

West Master is a Chinese fast food chain brand established in Beijing in 2014, the central product of which is the Chinese hamburger. For the year ended 31 December 2017, the revenue of West Master amount to RMB99.2 million, increased by 53.4% as compared to last year.

Sexy Salad

Sexy Salad is a new prominent brand quickly rising in the salad branch of China's food and beverage industry, having risen from nothing and become one of the leading salad brands in the South China area within two years. For the year ended 31 December 2017, the revenue of Sexy Salad amount to RMB27.8 million, increased by 23.2% as compared to last year.

Yuepin

Yuepin, established in 2013 and with Vietnamese cuisine as central product, is currently operating two chain brands, "Yue Xiao Pin" and "Mei Nai Xiao Guan". For the year ended 31 December 2017, the revenue of Yuepin amount to RMB64.7 million, which increased by 28.4% as compared to last year.

Dafulan

Dafulan was established in July 2016, and focuses on Hunan rice noodles and Hunan traditional food. For the year ended 31 December 2017, the revenue of Dafulan amount to RMB16.9 million.

Clay Pot King

Claypot King was established in 2012, and its central product is Cantonese-style clay pot rice. Over 10,000 clay pots are sold daily, making it the sales champion for its kind in the Beijing market. For the year ended 31 December 2017, the revenue of Claypot King amount to RMB63.0 million, which increased by 18.3% as compared to last year.

Seesaw

Seesaw was established in 2012, and has positioned itself as a leading brand in the specialty coffee segment industry. For the year ended 31 December 2017, the revenue of Seesaw amount to RMB35.5 million, which increased by 101.4% as compared to last year.

Foook

Foook, the owner of the "Foook Spicy Hot Pot" brand, has made great development in Shenzhen. It directly operates outlets one after the other in many famous shopping centers. For the year ended 31 December 2017, the revenue of Foook amount to RMB43.0 million, which increased by 85.4% as compared to last year.

Manufacturing and Sales of Handbags Segment

In recent years, certain sectors of the manufacturing industry have begun to shift from China to Southeast Asia. A new concern arises whether as the prices for labor force, land and energy, among others, go up, China's manufacturing industry which has been skyrocketing since the 1980s may be replaced with those in lower-cost regions. However, it is our belief that the East Asia manufacturing network with China at its center will not be replaced by other regions because: firstly, the manufacturing capacity of the current cluster in East Asia is able to easily satisfy the global demand, and, as such, it will be difficult for newly emerging regions to compete; and China, with its supply chain management capacity due to its colossal scale, will continue to be at the center of the manufacturing cluster. Secondly, to reproduce China's rise in the industry and undertake massive amount of outsourcing orders, other regions have to commit to low-cost infrastructure construction on a national basis, which is virtually impossible outside China.

Meanwhile, we also observe that certain shifts of plants from China to Southeast Asia are the result of internal structural adjustments in the East Asian manufacturing cluster. The shift of manufacturing to Southeast Asia implies only an expansion in the radius of the supply chain network, where China remains to be at its center.

In line with the above trend, the Group has implemented production capacity layout optimization for the handbag business, where the final step of the process will be completed in Myanmar. Meanwhile, the core functions such as management, design and sales remain in Mainland China and Hong Kong, where efficiency is the highest.

Business Development

In 2017, the Group conducted a series of improvements for the handbag segment, enabling it to turn around to profit in spite of the extremely unfavorable external environment. Firstly, the Group brought the handbag business into focus. The significantly loss-making retail business was disposed of at the end of 2016. Its resources were pooled into the handbag processing business where our core competitiveness lay. Secondly, the Group further streamlined personnel at the head office and lowered the management expenses on the basis of the more focused business. Thirdly, the Group continued to push forward the construction of its plant in Myanmar in order to shift its production capacity.

Through the above means, in 2017, the manufacturing and sales of handbags segment recorded revenue of approximately RMB342.3 million and profit of RMB1.8 million (loss recorded by the handbag segment in 2016: RMB6.7 million).

Looking ahead to 2018, the Group is confident in the steady development of the handbag segment. For revenue, the Group currently has sufficient orders in hand and actively expands customers in Canada and other European and American markets. For the adjustment of capacity layout, the productivity construction at the plant in Myanmar has been completed, and is currently in the stage of trial operation. Production is expected to formally commence at the Myanmar plant in the first half of 2018, which is expected to lower the overall average production costs of the manufacturing and sales of handbags segment and improve the cost structure of the handbag segment. For cost control, the Group will transfer some of the employees to the Myanmar plant or directly hire local manpower as a means of strictly controlling sales and management expenses.

ANNUAL RESULTS

The board of directors of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 together with comparative figures for the year ended 31 December 2016 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
			(Restated)
Revenue	*4*	**751,801**	477,587
Cost of sales		**(404,485)**	(329,638)
Gross profit		**347,316**	147,949
Distribution and selling expenses		**(219,004)**	(51,379)
General and administrative expenses		**(97,666)**	(114,076)
Other income		**6,116**	6,778
Other gains, net	*5*	**9,722**	33,044
Operating profit		**46,484**	22,316
Finance income		**203**	—
Finance expenses		**(9,533)**	(5,512)
Finance expenses — net		**(9,330)**	(5,512)
Share of loss of associates		**(2,450)**	(196)
Profit before taxation		**34,704**	16,608
Income tax expense	*6*	**(14,018)**	(6,739)
Profit for the year		**20,686**	9,869
Profit for the year attributable to:			
Owners of the Company		**15,216**	8,686
Non-controlling interest		**5,470**	1,183
		20,686	9,869

	Note	2017	2016
		RMB'000	*RMB'000*
			(Restated)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit assets		**296**	343
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**5,398**	10,760
Other comprehensive income for the year		**5,694**	11,103
Total comprehensive income for the year		**26,380**	20,972
Total comprehensive income for the year attributable to:			
Owners of the Company		**20,910**	19,789
Non-controlling interests		**5,470**	1,183
Earnings per share (RMB cents) — basic	*8*	**1.61**	1.05
Earnings per share (RMB cents) — diluted	*8*	**1.61**	1.05

CONSOLIDATED BALANCE SHEET

At 31 December 2017

	Note	**31.12.2017**	31.12.2016	1.1.2016
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**168,643**	98,193	50,728
Prepaid lease payments		**44,007**	46,590	27,762
Investment properties		**32,896**	32,045	24,449
Investments in associates		**287,142**	84,305	—
Goodwill		**45,495**	45,495	—
Intangible assets		**101,535**	89,199	—
Derivative financial instrument	*11*	**—**	634	—
Deferred tax assets		**10,805**	15,066	2,395
Defined benefit assets		**4,710**	4,521	3,852
Trade and other receivables		**19,565**	38,664	2,254
		714,798	454,712	111,440
CURRENT ASSETS				
Inventories		**83,539**	61,977	60,277
Prepaid lease payments		**520**	1,170	708
Trade and other receivables	*9*	**100,038**	80,048	81,346
Tax recoverable		**795**	1,079	743
Financial assets at fair value through profit or loss		**27,000**	15,000	—
Derivative financial instrument	*11*	**1,029**	—	—
Cash and cash equivalents		**398,033**	108,264	253,032
		610,954	267,538	396,106
Total Assets		**1,325,752**	722,250	507,546

	Note	31.12.2017	31.12.2016	1.1.2016
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
CURRENT LIABILITIES				
Trade and other payables	*10*	**147,478**	156,025	58,611
Derivative financial liability		**—**	—	1,053
Loan from a third party		**221,000**	—	—
Tax payable		**4,653**	8,349	1,683
		373,131	164,374	61,347
NON-CURRENT LIABILITIES				
Deferred tax liabilities		**24,584**	24,380	1,370
Loan from a third party		**—**	228,800	213,200
Deferred government grants		**2,175**	1,572	—
		26,759	254,752	214,570
Total liabilities		**399,890**	419,126	275,917
CAPITAL AND RESERVES				
Share capital		**122,949**	69,055	69,055
Reserves		**766,158**	185,464	162,574
Equity attributable to owners of the Company		**889,107**	254,519	231,629
Non-controlling interests		**36,755**	48,605	—
Total equity		**925,862**	303,124	231,629
Total liabilities and equity		**1,325,752**	722,250	507,546

Notes:

1. GENERAL INFORMATION

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

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

The functional currency of the Company is Hong Kong dollars ("**HK dollars**" or "**HK$**"), while the consolidated financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instrument, which are carried at fair value.

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

2.2 Changes in accounting policy and disclosures

(a) Amendments to HKFRSs effective for the financial period beginning on 1 January 2017 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

(i) ***HKFRS 9 'Financial instruments'***

Nature of change

HKFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and does not expect any significant impact from the adoption of the new standard from the financial year beginning on 1 January 2018, for the following reasons:

- Financial assets currently measured at fair value through profit or loss will likely continue to be measured on the same basis under HKFRS 9.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The derecognition rules have been transferred from HKAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new hedge accounting rules have no impact on the Group as the Group does not have any hedging relationships.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. While the Group is in the process of undertaking a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new standard retrospectively from the financial year beginning on 1 January 2018, with the practical expedients permitted under the standard.

(ii) ***HKFRS 15 'Revenue from contracts with customers'***

Nature of change

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management is assessing the effects of applying the new standard on the Group's financial statements. The application of HKFRS 15 may result in the identification of separate performance obligations in relation to the contracts which could affect the timing of the recognition of revenue going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the new standard using the modified retrospective approach from the financial year beginning on 1 January 2018, which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) ***HKFRS 16 'Leases'***

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has certain non-cancellable operating lease commitments.

The Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3. RESTATEMENTS

(a) The Company has carried out a reassessment on the Group's consolidated financial statements for the prior years and identified the following misstatements. The directors of the Company decided that the most appropriate treatment for these misstatements is to restate the comparative figures in the Group's consolidated financial statements. A detailed description of the nature of each prior year restatement is provided in notes 3(a)(i) to 3(a)(iii) below. The amounts of the prior year restatements for each financial statement line item affected are presented in the tables in note 3(c) below.

(i) There was a misstatement on the financial impact of derivative financial instrument (put option on issuance of convertible bonds) in 2016 mainly due to: 1) the incorrect assessment of fair value of the derivative financial instrument as at the initial recognition date and 31 December 2016; and 2) the change in fair value of the derivative financial instrument in 2016 was not recognised as at 31 December 2016.

(ii) Deferred income tax liabilities were not recognised in prior years for the fair value change on an investment property in Thailand. The tax effect of the above fair value changes is expected to be realised subsequently.

(iii) There was a misstatement on expenses cut-off in 2016. Certain expenses occurred in 2016 while not yet billed were not recognised in the statement of profit or loss and other comprehensive income in 2016.

(b) In addition, the Group has changed its accounting policy as described below. The change has been applied to the Group's financial statements on a retrospective basis. The effect of adopting the new accounting policies is presented in the tables in note 3(c) below.

(i) In prior years, the Group's consolidated financial statements were presented in HK dollars. After the acquisition of food and beverage business in mainland China from October 2016, the Group decided to change the Group's and the Company's presentation currency from HK dollars to RMB.

(c) Summary of the effects of restatements

The following is a summary of the effects of the restatements on:

(i) The Group's consolidated statement of comprehensive income for the year ended 31 December 2016:

	For the year ended 31 December 2016	Adjustments			For the year ended 31 December 2016	For the year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*
	(as originally stated)	(a)(i)	(a)(ii)	(a)(iii)	(Restated)	(Restated)
Revenue	559,632	—	—	—	559,632	477,587
Cost of sales	(386,250)	—	—	—	(386,250)	(329,638)
Gross profit	**173,382**	**—**	**—**	**—**	**173,382**	**147,949**
Distribution and selling expenses	(60,195)	—	—	—	(60,195)	(51,379)
General and administrative expenses	(132,424)	—	—	(1,491)	(133,915)	(114,076)
Other income	8,176	—	—	—	8,176	6,778
Other gains, net	41,655	(2,860)	—	—	38,795	33,044
Operating profit	**30,594**	**(2,860)**	**—**	**(1,491)**	**26,243**	**22,316**
Finance expenses, net	(6,565)	—	—	—	(6,565)	(5,512)
Share of loss of associates	(224)	—	—	—	(224)	(196)
Profit before taxation	23,805	(2,860)	—	(1,491)	19,454	16,608
Income tax expense	(6,578)	—	(1,275)	—	(7,853)	(6,739)
Profit for the year	**17,227**	**(2,860)**	**(1,275)**	**(1,491)**	**11,601**	**9,869**
Profit for the year attributable to:						
Owners of the Company	15,868	(2,860)	(1,275)	(1,491)	10,242	8,686
Non-controlling interest	1,359	—	—	—	1,359	1,183

	For the year ended 31 December 2016 HK$'000 (as originally stated)	Adjustments HK$'000 (a)(i)	HK$'000 (a)(ii)	HK$'000 (a)(iii)	For the year ended 31 December 2016 HK$'000 (Restated)	For the year ended 31 December 2016 RMB'000 (Restated)
Other comprehensive income						
Item that will not be reclassified to profit or loss:						
Remeasurement of defined benefit assets	403	—	—	—	403	343
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations	(8,758)	—	159	—	(8,599)	10,760
Other comprehensive income for the year	(8,355)	—	159	—	(8,196)	11,103
Total comprehensive income for the year	**8,872**	**(2,860)**	**(1,116)**	**(1,491)**	**3,405**	**20,972**
Total comprehensive income for the year attributable to:						
Owners of the Company	8,784	(2,860)	(1,116)	(1,491)	3,317	19,789
Non-controlling interests	88	—	—	—	88	1,183
Earnings per share (in cents) — basic	1.92	(0.35)	(0.15)	(0.18)	1.24	1.05
Earnings per share (in cents) — diluted	1.92	(0.35)	(0.15)	(0.18)	1.24	1.05

(ii) The Group's consolidated balance sheet as at 31 December 2016:

	As at 31 December 2016 HK$'000 (as originally stated)	Adjustments HK$'000 (a)(i)	HK$'000 (a)(ii)	HK$'000 (a)(iii)	As at 31 December 2016 HK$'000 (Restated)	As at 31 December 2016 RMB'000 (Restated)
Non-current assets						
Property, plant and equipment	111,582	—	—	—	111,582	98,193
Prepaid lease payments	52,943	—	—	—	52,943	46,590
Investment properties	36,414	—	—	—	36,414	32,045
Investments in associates	95,800	—	—	—	95,800	84,305
Goodwill	51,699	—	—	—	51,699	45,495
Intangible assets	101,357	—	—	—	101,357	89,199
Derivative financial instrument	7,020	(6,300)	—	—	720	634
Deferred tax assets	17,123	—	—	—	17,123	15,066
Defined benefit assets	5,138	—	—	—	5,138	4,521
Trade and other receivables	43,937	—	—	—	43,937	38,664
	523,013	(6,300)	—	—	516,713	454,712
Current assets						
Inventories	70,428	—	—	—	70,428	61,977
Prepaid lease payments	1,329	—	—	—	1,329	1,170
Trade and other receivables	90,963	—	—	—	90,963	80,048
Tax recoverable	1,226	—	—	—	1,226	1,079
Financial assets at fair value through profit or loss	17,045	—	—	—	17,045	15,000
Cash and cash equivalents	123,028	—	—	—	123,028	108,264
	304,019	—	—	—	304,019	267,538
Total Assets	**827,032**	**(6,300)**	**—**	**—**	**820,732**	**722,250**

	As at 31 December 2016	Adjustments			As at 31 December 2016	As at 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*
	(as originally stated)	(a)(i)	(a)(ii)	(a)(iii)	(Restated)	(Restated)
Current liabilities						
Trade and other payables	175,810	—	—	1,491	177,301	156,025
Tax payable	9,487	—	—	—	9,487	8,349
	185,297	—	—	1,491	186,788	164,374
Non-current liabilities						
Deferred tax liabilities	24,773	—	2,932	—	27,705	24,380
Deferred government grants	1,783	—	—	—	1,783	1,572
Loan from a third party	260,000	—	—	—	260,000	228,800
	286,556	—	2,932	—	289,488	254,752
Total liabilities	**471,853**	**—**	**2,932**	**1,491**	**476,276**	**419,126**
Capital and reserves						
Share capital	82,500	—	—	—	82,500	69,055
Reserves	217,449	(6,300)	(2,932)	(1,491)	206,726	185,464
Equity attributable to owners of the Company	299,949	(6,300)	(2,932)	(1,491)	289,226	254,519
Non-controlling interests	55,230	—	—	—	55,230	48,605
Total equity	355,179	(6,300)	(2,932)	(1,491)	344,456	303,124
Total liabilities and equity	**827,032**	**(6,300)**	**—**	**—**	**820,732**	**722,250**

(iii) The Group's consolidated balance sheet as at 1 January 2016:

	As at 1 January 2016	Adjustments			As at 1 January 2016	As at 1 January 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*RMB'000*
	(as originally stated)	(a)(i)	(a)(ii)	(a)(iii)	(Restated)	(Restated)
Non-current assets						
Property, plant and equipment	61,863	—	—	—	61,863	50,728
Prepaid lease payments	33,856	—	—	—	33,856	27,762
Investment properties	29,816	—	—	—	29,816	24,449
Deferred tax assets	2,921	—	—	—	2,921	2,395
Defined benefit assets	4,697	—	—	—	4,697	3,852
Trade and other receivables	2,749	—	—	—	2,749	2,254
	135,902	**—**	**—**	**—**	**135,902**	**111,440**
Current assets						
Inventories	73,508	—	—	—	73,508	60,277
Prepaid lease payments	864	—	—	—	864	708
Trade and other receivables	99,202	—	—	—	99,202	81,346
Tax recoverable	907	—	—	—	907	743
Cash and cash equivalents	308,576	—	—	—	308,576	253,032
	483,057	**—**	**—**	**—**	**483,057**	**396,106**
Total assets	**618,959**	**—**	**—**	**—**	**618,959**	**507,546**

	As at 1 January 2016 HK$'000 (as originally stated)	Adjustments HK$'000 (a)(i)	HK$'000 (a)(ii)	HK$'000 (a)(iii)	As at 1 January 2016 HK$'000 (Restated)	As at 1 January 2016 RMB'000 (Restated)
Current liabilities						
Trade and other payables	71,477	—	—	—	71,477	58,611
Derivative financial instruments	1,284	—	—	—	1,284	1,053
Tax payable	2,053	—	—	—	2,053	1,683
	74,814	**—**	**—**	**—**	**74,814**	**61,347**
Non-current liabilities						
Deferred tax liabilities	—	—	1,636	—	1,636	1,370
Loan from a related party	260,000	—	—	—	260,000	213,200
	260,000	**—**	**1,636**	**—**	**261,636**	**214,570**
Total liabilities	**334,814**	**—**	**1,636**	**—**	**336,450**	**275,917**
Capital and reserves						
Share capital	82,500	—	—	—	82,500	69,055
Reserves	201,645	—	(1,636)	—	200,009	162,574
Total equity	**284,145**	**—**	**(1,636)**	**—**	**282,509**	**231,629**
Total liabilities and equity	**618,959**	**—**	**—**	**—**	**618,959**	**507,546**

4. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments under HKFRS 8 Operating Segments, based on information reported to the Company's executive directors, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance, which focuses on types of goods or services delivered or provided.

The Group's operating and reportable segments under HKFRS 8 — Operating Segments are as follows:

(i) Food and beverage business; and

(ii) Manufacturing and sales of handbags business.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

Year ended 31 December 2017

	Food and beverage business *RMB'000*	Manufacturing and sales of Handbags business *RMB'000*	Total *RMB'000*
Total revenue	**409,524**	**342,277**	**751,801**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**409,524**	**342,277**	**751,801**
Segment gross profit	**252,933**	**94,383**	**347,316**
Distribution and selling expenses			**(219,004)**
General and administrative expenses			**(97,666)**
Other income			**6,116**
Other gains, net			**9,722**
Finance expenses, net			**(9,330)**
Share of loss of associates			**(2,450)**
Profit before taxation			**34,704**
Income tax expense			**(14,018)**
Profit for the year			**20,686**
Other Information:			
Significant non-cash expenses			
Depreciation and amortisation	**14,604**	**6,164**	**20,768**
As at 31 December 2017			
Total assets	**1,004,844**	**320,908**	**1,325,752**
Including:			
Investments in associates	**287,142**	**—**	**287,142**
Total liabilities	**309,616**	**90,274**	**399,890**

Year ended 31 December 2016

	Food and beverage business *RMB'000* (Restated)	Manufacturing and sales of Handbags business *RMB'000* (Restated)	Total *RMB'000* (Restated)
Total revenue	55,138	422,449	477,587
Inter-segment revenue	—	—	—
Revenue from external customers	55,138	422,449	477,587
Segment gross profit	14,203	133,746	147,949
Distribution and selling expenses			(51,379)
General and administrative expenses			(114,076)
Other income			6,778
Other gains, net			33,044
Finance expenses, net			(5,512)
Share of loss of associates			(196)
Profit before taxation			16,608
Income tax expense			(6,739)
Profit for the year			9,869
Other Information:			
Significant non-cash expenses			
Depreciation and amortisation	3,666	13,675	17,341
As at 31 December 2016			
Total assets	426,130	296,120	722,250
Including:			
Investments in associates	84,305	—	84,305
Total liabilities	362,102	57,024	419,126

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2016 and 2017.

Geographical Information

The Group's revenue from external customers by geographical location during the years ended 31 December 2016 and 2017 is as follows:

	Revenue from external customers Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
The PRC	**428,034**	79,993
The USA	**141,373**	155,523
Other Asian countries	**38,253**	55,163
Canada	**32,764**	35,532
Italy	**30,935**	47,401
Other European countries	**26,357**	20,990
Germany	**17,706**	7,812
Hong Kong	**14,449**	36,316
The Netherlands	**8,497**	23,969
South American countries	**8,019**	5,391
The United Kingdom	**4,310**	8,212
The Middle East and Africa	**1,104**	1,285
	751,801	477,587

5. OTHER GAINS, NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Net exchange gain	**1,346**	3,245
Gain/(loss) on fair value changes on derivative financial instruments	**385**	(2,470)
Gain/(loss) on disposal of property, plant and equipment	**295**	(2,184)
Gain on fair value changes on investment properties	**404**	5,545
Gain on disposal of subsidiaries	**—**	28,908
Recovery of other receivable from a former subsidiary	**7,292**	—
	9,722	33,044

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	**2,999**	4,341
PRC Enterprise Income Tax	**6,344**	2,601
	9,343	6,942
Deferred tax	**4,675**	(203)
	14,018	6,739

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017.

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.

Myanmar

The Myanmar subsidiary is subjected to Myanmar Corporate Income Tax at a rate of 25%. No provision for Myanmar Corporate Income Tax has been made for both periods as the Myanmar subsidiary incurred losses for both periods.

Thailand

The Thailand subsidiary is subjected to Thailand Corporate Income Tax at a rate of 20%. No provision for Thailand Corporate Income Tax has been made for both periods as the Thailand subsidiary incurred losses for both periods.

7. DIVIDENDS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Proposed final dividend of HK$1.5 cents per ordinary share (2016: nil)	**18,623**	—

On 7 March 2018, the board of directors proposed a final dividend of HK$1.5 cents per ordinary share totalling HK$21,909,000 (equivalent to approximately RMB18,623,000) for the year ended 31 December 2017. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements, but will be reflected as an appropriation of distributable reserves in the year ended 31 December 2018.

8. EARNINGS PER SHARE

	As at 31 December	
	2017	2016
	RMB cents	*RMB cents*
		(Restated)
Basic earnings per share	**1.61**	1.05
Diluted earnings per share	**1.61**	1.05

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Profit attributable to owners of the Company	**15,216**	8,686
Weighted average number of ordinary shares in issue (thousands)	**942,924**	825,000

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. The Company's potentially dilutive ordinary shares comprised shares which may be issued under the convertible bonds issued by the Company during the year ended 31 December 2017. The convertible bonds are assumed to have been converted into ordinary shares and adjusted for the impact of interest expense of the convertible bonds. During the year ended 31 December 2017, this potential adjustment results in an anti-dilutive effect in the calculation of diluted earnings per share.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Trade receivables *(a)*	**54,710**	47,504
Prepayments	**45,594**	38,792
Other receivables	**19,299**	32,416
Total trade and other receivables	**119,603**	118,712
Less: Non-current portion	**(19,565)**	(38,664)
Trade and other receivables — current portion	**100,038**	80,048

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Not exceeding 30 days	**29,620**	24,597
31–60 days	**22,825**	15,339
61–90 days	**1,194**	2,536
Over 90 days	**1,071**	5,032
	54,710	47,504

10. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Trade payables *(a)*	**73,655**	36,504
Other payables and accruals	**73,823**	119,521
	147,478	156,025

(a) The aging analysis of trade payables at the end of the reporting period is as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Not exceeding 30 days	**61,079**	32,638
31–60 days	**6,938**	2,445
61–90 days	**984**	539
Over 90 days	**4,654**	882
	73,655	36,504

11. DERIVATIVE FINANCIAL INSTRUMENT

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
		(Restated)
Current		
Put option on issuance of convertible bonds *(a)*	**1,029**	—
Non-current		
Put option on issuance of convertible bonds *(a)*	**—**	634
	1,029	634

(a) Derivative financial instruments

The balance represented the fair value of the Company's put option on issuance of convertible bonds as at the end of reporting period.

On 18 September 2016 and 10 October 2016, the Company and Sonic Tycoon Limited (shareholders of the Company) entered into an agreement and a supplementary agreement (collectively, the "**Investment Agreement**") in relation to the issuance of convertible bonds (the "**Convertible Bonds**") in the aggregate principal amount up to HK$1,500,000,000 for a total consideration equal to the principal amount of the Convertible Bonds. The Investment Agreement was approved by the Company's shareholders on 13 November 2016.

Pursuant to the Investment Agreement, the Company has the option to issue all or part of the Convertible Bonds to Sonic Tycoon Limited at any time during the 2 years commencing from 13 November 2016. As a result, the directors of the Company are of the view that the above put option constituted a derivative financial instrument for the Company and should be accounted for as a financial asset at fair value through profit or loss.

The initial fair value of the derivative financial instrument at the recognition date was recognised as a deemed contribution from shareholder and recorded in shareholder's equity on special reserve. Subsequent change in fair value of the derivative financial instrument is recognised in profit or loss.

(b) Convertible bonds

Details of the Convertible Bonds issued and converted during the year are as follows:

	Issue date	**Principal issued**	**Conversion date**	**Number of shares converted**
1st issuance	4 January 2017	HK$160,000,000	22 September 2017	135,593,220
2nd issuance	31 May 2017	HK$110,000,000	22 September 2017	93,220,339
3rd issuance	13 November 2017	HK$480,000,000	13 November 2017	406,779,661

The fair value of the liability component was calculated using a market interest rate for a 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.

As at 31 December, there is no convertible bonds outstanding as all the Convertible Bonds issued during the year ended 31 December 2017 have been converted into ordinary shares of the Company.

12. REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements are audited, and have been reviewed by the Audit Committee.

FINAL DIVIDEND

A final dividend of HK1.5 cents per share in respect of the year ended 31 December 2017 has been proposed by the Directors and is subject to approval by the Company's shareholders in annual general meeting.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2017 was RMB925.9 million (31.12.2016: RMB303.1 million). As at 31 December 2017, the Group had current assets of RMB611.0 million (31.12.2016: RMB267.5 million) and current liabilities of RMB373.1 million (31.12.2016: RMB164.4 million). The current ratio was 1.64 as at 31 December 2017 as compared to 1.63 as at 31 December 2016.

The Group generally finances its operations with internally generated cash flow and credit facilities provided by its principal bankers in Hong Kong. As at 31 December 2017, the Group had no outstanding bank borrowings (31.12.2016: nil). As at 31 December 2017, the Group maintained bank balances and cash of RMB398.0 million (31.12.2016: RMB108.3 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) was 0.43 as at 31 December 2017 (31.12.2016: 0.36).

The Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital expenditure contracted for but not provided in the consolidated financial statements in respect of the property, plant and equipment improvement in the amount of RMB7.7 million.

The Group has sufficient cash and available bank reserve to meet the Group's capital commitments and working capital requirements.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period.

HUMAN RESOURCES

At 31 December 2017, the Group had a workforce of about 4,500 people (Food and beverage business: 1,400 people, Manufacturing and sales of handbags: 3,100 people). The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staffs are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits.

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

During the Year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Directors believe that save as disclosed below, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the Year ended 31 December 2017.

Mr. Zhao John Huan serves as the company's executive chairman and chief executive officer. Mr. Zhao John Huan supervised the management of the Group's business with the assistance of senior management of the Group. Other general positions to be dealt with by the chief executive are served by the senior management of the Group. The code provision stipulates that the roles of chairman and chief executive should be clearly defined and should not be performed by the same individual, and the management structure of the Group deviates from this. The Board has carefully considered the matter and has decided not to adopt the relevant provisions. The Board believes that the current management structure has effectively promoted the operation and development of the Group and its business in the past, and the Group has established a mechanism for censorship and checks and balances necessary to improve corporate governance practices. Therefore, the Board does not consider that the Group should change its existing management structure. However, the Board will review the management structure from time to time to ensure that it continues to meet its objectives.

The Company held its annual general meeting for the year ended 31 December 2016 (the "**2016 AGM**") on 27 June 2017. Due to conflict of his schedules and other prior business engagement outside Hong Kong, Mr. Zhao John Huan, the Chairman, was unable to attend the 2016 AGM. Mr. Wang Xiaolong, Mr. Wang Yuanzheng, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei, Mr. Tsang Hin Man Terence and the Company's external auditor attended the 2016 AGM and answered questions raised by the shareholders of the Company at the meeting physically.

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 10 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 during the reporting period.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive Directors of the Company, has reviewed the annual results of the Group for the year ended 31 December 2017 and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

ANNUAL REPORT

This results announcement is published on The Stock Exchange of Hong Kong Limited's website (www.hkex.com.hk) and the Company's website (http://www.irasia.com/listco/hk/bestfood/index.htm). The annual report of the Company will be despatched to the shareholders and will be available on websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

On behalf of the Board
Zhao John Huan
Chairman

Hong Kong, 7 March 2018

As at the date of this announcement, the Board of the Company comprises 3 executive Directors, namely, Mr. Zhao John Huan, Mr. Wang Xiaolong and Mr. Wang Yuanzheng and 3 independent non-executive Directors, namely, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.