BEST FOOD HOLDING COMPANY LIMITED
百 福 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1488)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

— Revenue of RMB854.0 million for the year ended 31 December 2018, increased by 13.6% as compared to the year ended 31 December 2017.

— Net loss of RMB8.9 million for the year ended 31 December 2018.

— Gross profit margin decreased from 46.2% to 42.9% for the year ended 31 December 2018.

— Net profit margin decreased from 2.8% to –1.0% for the year ended 31 December 2018.

— Basic earnings/loss per share turned from basic earnings per share of RMB1.61 cents to basic loss per share of RMB0.76 cents for the year ended 31 December 2018.

ANNUAL RESULTS

The board (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 2018.

COMMENTARY

Result Summary of the Group

For the year ended 31 December 2018, the Group recorded a revenue of approximately RMB854.0 million, increased by 13.6% as compared to the year ended 31 December 2017. Gross profit margin dropped to 42.9% from 46.2%. Loss before tax amounted to approximately RMB3.2 million. Loss for the period amounted to approximately RMB8.9 million, which was mainly due to the effects on net loss from written down of corresponding options upon completion of the issuance of convertible bonds and non-recurring interest expenses for convertible bonds of RMB5.2 million in aggregate and one-off transaction cost of RMB5.1 million.

Since the Group entered the food and beverage industry in the second half of 2016, it has strived to the implementation of dual-wheel driven strategy using investment management and operation management. The Group has devoted significant resources into its food and beverage segment, and continuously made progress in line with the designated strategy direction. In respect of investment management, the Group has acquired and invested in over 10 leading food and beverage brands in China, thereby offering different types of products in food and beverage industry. In 2018, the Group made a significant breakthrough in investment management. At the end of 2018, it has successfully acquired the control over New Spicy Way Fish Hotpot ("**New Spicy Way**"), a leading fish hotpot restaurant chain in China. As such The interim work on the establishment of multi-category product control and invested brand portfolio had been completed. In respect of operation management, the Group continued to facilitate the establishment of sharing and collaboration power of the Company's platform, which greatly enhanced the "empowerment" of its brands. For instance, the Group enhanced the supply chain collaboration of its brands, thus lowering the costs on raw material procurement. The Group also proactively explored different brands for our franchise business, and accelerated store expansion. The Group has established Best Food University, which provided training courses for management of its brands, thus enhancing the efficiency in talent training. The Group focused on the introduction of new retail business and the consolidation of online and offline sales channels, which lay a solid foundation for digitalized customer management. The Board believes that, if our controlling brands and invested brands adhere to the fast iteration of the teams, products and models, while the Group continues to devote resources to build the ability of "empowerment", we will be able to open up growing spaces for each brands.

For the year ended 31 December 2018, there were 465 stores in the food and beverage segment, with total revenue of invested companies for the year amounted to RMB1,667.3 million. Revenue attributable to the Group amounted to RMB470.2 million (for revenue generated from New Spicy Way, only revenue generated in December 2018 was included). The gross profit margin in the food and beverage segment was 57.5%.

Following the implementation of a series of operation improvement measures on market development, cost control and other aspects over the years, the handbags segment of the Group has maintained operation since its turnaround to profit last year. During the year, overall profit contribution from handbags segment was limited due to the substantial preliminary investment in factories in Myanmar made during 2018.

For the year ended 31 December 2018, revenue generated from manufacturing and sales of handbags segment amounted to RMB383.9 million, with gross profit margin of 25.1%.

Food and Beverage Segment

Industry Review and Prospects

Along with the rapid economic development and changes in internet technologies, competition in domestic food and beverage market has been evolving, and is currently at a new phase of high quality development. According to the National Bureau of Statistics of China, the domestic revenue of food and beverage industry amounted to approximately RMB4.27 trillion in 2018, with growth of 7.5% as compared to the corresponding period of last year. The growth rate was higher than that of the aggregate retail sales of social consumer goods. Consumption in food and beverage industry became an important driver for domestic consumption market.

We observed that the trend for branding in the food and beverage industry in 2018 had became more apparent along with the increasing demands of customers on products and experiences. Against the backdrop of internet technology reform and the development of big data analysis methods, a new round of commercial reform surrounding customers operation has already commenced.

Strategic Planning Review and Prospects

Taking into account the state-of-the-art of China's food and beverage industry, the Group strives to its overall 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 for of revenue for the food and beverage segment, as well as a core component of collaborative network. In 2018, the Group continued to facilitate its works on layout of core controlling brands. After completion of the acquisition of New Spicy Way, it is expected that future contribution from food and beverage segment to the profit of the Group will significantly increase. For joint-stock brand investment, the Group will continue to implement strict standards in selecting 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 establish its internal "empowerment" ecosystem and accelerate its development by tapping into group-level systematic value-added services.

For operational management, the Group will continue to put efforts in building value-added service system. The Group will also provide systematic support for its brands in terms of digitalization and new retail, channel expansion and franchise business, supply chain collaboration, operating data analysis, training and human resources, thus improving the overall operating efficiency of the Group, reducing costs, enhancing brand influence and achieving continuous growth in corporate value.

Business Progress

Development in Investment and Investment Management

In 2016, the Group acquired the controlling interest in HHG, a leading fast food chain in Beijing featuring rice meals, invested 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, an investment contract with Yuepin in March 2017, which owns two iconic brands of Vietnamese cuisine, Muine and Pho Nam, an investment contract with Clay Pot King in April 2017, a typical brand of Canton clay pot rice, an investment contract with Dafulan in May 2017, an prominent emerging brand featuring Hunan rice noodle and traditional snacks, an investment contract with Seesaw in May 2017, a typical premium coffee brand, and another investment contract with Foook in October 2017, a representative brand of spicy hot pot. The Group has completed investments in all these brands stated above. In June 2018, the Group entered into an investment contract with New Spicy Way, a leading brand of fish hot pot in China. The first round of investment was completed at the end of November 2018, thus successfully obtained control over New Spicy Way. Meanwhile, the Group possessed abundant project reserves in major sub-categories under food and beverage industry.

Establishment of Operational and Management Platform

In 2018, the Group continued to devote significant resources to enhance its capability of post-investment management and value-added services.

For digitalization and new retail, the Group has established "Best Food Store", which introduced numerous unique, popular retail products in collaboration of its brands. Meanwhile, in order to conduct trial operation of integrated online and offline retail mode, the Group set up unmanned shelves in its retail stores. Subsequently, upon the completion of user information collection for new retail mode, the Group will further integrate user data of various brands, thereby facilitating the establishment of cross-brand digitalized user management system.

For digital upgrade of various brands, the Company and Xinyi, an investee of the Company, jointly facilitated the collaboration between Foook, Sexy Salad and the Artificial Intelligence (AI) restaurants under Tencent. Hence, Foook became the first batch of practical examples of AI food and beverage stores under Tencent.

For channel expansion and franchise business, the Group recruited professionals for its franchise business, conducted targeted search on supporting factories, which possess channel expansion resources and system management experience in franchise business, and rapidly expanded franchise market through business collaboration.

For supply chain collaboration, the Group entered into strategic collaboration agreement with large supply chain service provider. Tendering on procurement of certain major raw materials had completed, thus realizing sharing of supply chain capability between investees.

For information system, the Group has completed the initial formation of its operating data centre, and will subsequently connect the data interfaces within its controlling brands, and based on which build a data collection and analysis system. By collecting and exploring operational data of investees, it can provide valuable output for the operating strategies of investees.

For human resources and training, having undergone elaborate preparation and trial operation, training courses of "Best Food University" commenced since July 2018. Best Food University has been officially established and will be positioned as the carrier for the Company to provide human resources and training services for investees. Through recruitment and regular organization of in-depth yet practical senior management seminars for renowned entrepreneurs, industry experts and management of brands under the Company, it offers extensive managerial and general courses distinctive from the internal brand training.

Business Progress of Controlling Brands

HHG

In 2018, HHG made significant investments in brand, channels, supply chains, product development and information. In 2019, HHG clearly put forward the annual strategic policy of "Activating Organization, Streamlining Varieties, Increasing Categories, Optimizing Quality; Capacity Upgrade, Value Realization; Customer's Satisfaction, Employee's Pride", which is expected to lay a solid foundation for further expansion in the future.

Store Network: In 2018, HHG had a total of 142 stores, of which 28 were franchise stores and 15 were newly opened. In 2018, while continued to expand its market share in Beijing, HHG put greater efforts in expanding its franchise business and exploring overseas markets. In addition, in order to improve its overall profitability, HHG gradually disposed stores that incurred losses for long run. With the investments in brand, channels, supply chains, product development and information by HHG, it is expected that a solid foundation would be laid for further expansion in the future.

Brand Strategy: In 2018, HHG adjusted its overall branding strategy, and continued to make improvement in terms of products, positioning and brand image. HHG keeps improving overall consumer experience through optimizing the menu, launching new products, adjusting dish varieties, reviewing pricing strategy and improving dining environment. At the same time, HHG put greater efforts in expanding its delivery business, which has been promoted to the level of corporate strategy. While proactively conducted various marketing activities to increase its influence in different delivery platforms, HHG also enhanced the capability of its delivery team, thereby improving its delivery operation. Delivery sales of HHG increased significantly in 2018, accounting for 42.1% of total sales.

Channel Expansion: HHG optimized business of its stores, reduced the investment amount for single store, and shorten the return cycle for single store. HHG also facilitated its collaboration with external institutions, thereby facilitating the launch of franchise business.

Supply Chain: In 2018, the centralized kitchen of HHG in Tianjin had put into operation, and generated sales to external customers.

Product Development: In 2018, HHG extended the open hours of its stores by further diversifying the menu offerings in breakfast time and dinner time. Meanwhile, HHG promoted the development of retail products, and increased the conversion rate of store traffic through expanding product types.

Information System: In 2018, HHG conducted another upgrade of its backstage information system, and optimized membership module and invoicing module, thus laying a foundation for future membership operation and supply chain efficiency enhancement.

Team and incentive mechanism: In terms of management team, HHG greatly promoted and introduced young team members to its management team. In terms of stores, HHG conducted trial operation on partnership mechanism, aiming to improve the synergy in interests of store staff.

New Spicy Way

Store Network: In 2018, New Spicy Way had a total of 104 stores, of which 4 were franchise stores and 12 were newly opened. In 2018, while continued to expand its market share in Beijing, New Spicy Way put greater efforts in exploring overseas markets. Looking forward in 2019, New Spicy Way will put greater efforts in expanding its franchise business. In addition, in order to improve its overall profitability, HHG gradually disposed stores that incurred losses for long run.

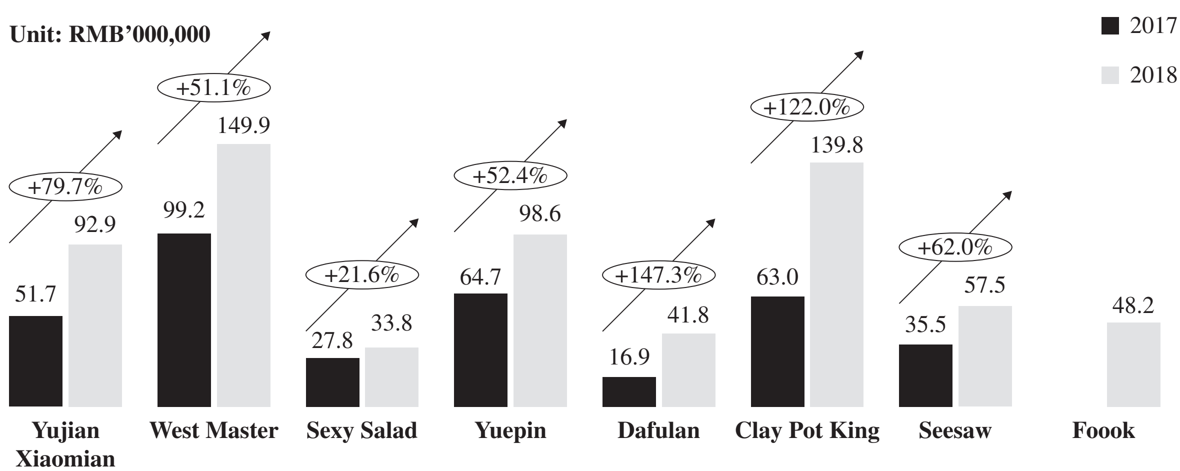
Operation Management: New Spicy Way conducted reform on its operating system and adjusted regional management mode. It has reduced food costs through supply chain collaboration, and underwent human resources streamlining. On the other hand, New Spicy Way put greater investment in talent and brand building, aiming to improve customers' satisfactory as its highest priority.

Channel Expansion: In 2019, while facilitating and promoting its franchise mode, New Spicy Way also focused on maintaining product quality, aiming to achieve standardized management.

Business Progress of Joint-Stock Brands

In 2018, all joint-stock brands of the Group achieved significant growth with the improvement in operating systems. However, the scaling effect is yet to be realized due to the limitation on size and volume, coupled with intermittent increase in investment required in order to maintain long-term growth, they are yet to contribute to the profit for the Group. The Group is of the view that, along with the expansion in store network and scale of our joint-stock brands, as well as stepping into new round of financing stage for certain brands, our joint-stock brands will become an important source of profit of the Group. The following is a summary of business data of our investees for 2018:

Revenue of Associates for 2017/18 and Year-on-year Growth



Yujian Xiaomian

In 2018, the revenue of Yujian Xiaomian amounted to RMB92.9 million, which has increased by approximately 79.7% as compared to last year. Xiaomian made bold moves in innovative business models in 2018 and launched a 24-hours store. Meanwhile, in terms of new retail, Xiaomian proactively developed retail products of its own brand and will open online shops on multiple major e-commerce platforms in 2019.

West Master

In 2018, the revenue of West Master amounted to RMB149.9 million, which has increased by approximately 51.1% as compared to last year. Regarding store network, West Master successfully opened a new store in Shenzhen which is its first store in new geographical areas and launched its international brand "Bingz" in 2018. In 2019, West Master will accelerate the expansion of its store network through franchising. Meanwhile, in terms of supply chain, West Master established an independent noodle factory to provide support for its store network expansion.

Sexy Salad

In 2018, the revenue of Sexy Salad amounted to RMB33.8 million, which has increased by approximately 21.6% as compared to last year. Sexy Salad further strengthened its advantages in customer operation in 2018 and cooperated with Tencent for the launch of an offline intelligent store, which improved user experience by utilizing facial recognition, facial recognition payment system, applets order and multiple interactive marketing, hence customer's loyalty was increased.

Yuepin

In 2018, the revenue of Yuepin amounted to RMB98.6 million, which has increased by approximately 52.4% as compared to last year. Yuepin focused on the improvement on store level assessment and incentive method in 2018 by establishing Amoeba horse racing incentive program among stores, which led to a significant increase in customer satisfaction. In 2019, Yuepin will focus on product elevation and membership system upgrade.

Dafulan

In 2018, the revenue of Dafulan amounted to RMB41.8 million, which has increased by approximately 147.3% as compared to last year. In 2018, Dafulan continued to cultivate in Shenzhen market and strived to maintain healthy development of its store performance. In 2019, Dafulan will further streamline its product structure and upgrade the brand by promoting its store image, at the same time enhance the incentive mechanism and establish an evaluation mechanism directly under the head quarter.

Clay Pot King

In 2018, the revenue of Clay Pot King amounted to RMB139.8 million, which has increased by approximately 122.0% as compared to last year. In 2018, Clay Pot King focused on refining the operation of its delivery business and promoting its brand. In 2019, Clay Pot King will accelerate the expansion of its franchise network.

Seesaw

In 2018, the revenue of Seesaw amounted to RMB57.5 million, which has increased by approximately 62.0% as compared to last year. In 2018, Seesaw materially refined its customer operation and customer experience by upgrading its order system, membership system and applets. In 2019, Seesaw will further enhance its store operation model and make better selection of store locations.

Foook

In 2018, the revenue of Foook amounted to RMB48.2 million. In 2018, Foook accelerated the progress of digitized operation and became a model among Tencent's pioneer intelligent restaurants. In 2019, Foook will focus on product upgrade and new retail business expansion.

Manufacturing and Sales of Handbags Segment

In 2018, our factory in Myanmar put into official production upon prolonged preparation. The shift of final processing procedures to Myanmar factory had basically completed. Meanwhile, core functions such as management, design and sales were still conducted in Mainland China and Hong Kong with higher efficiency.

For the year ended 31 December 2018, the manufacturing and sales of handbags segment recorded revenue of approximately RMB383.9 million, increased by 12.2% as compared to the corresponding period of last year. The increase in revenue was mainly attributable to the results arising from efforts in expanding order sources at early stage, being new orders received from customers, namely VERA BRADLEY and H&M. Meanwhile, sales from existing customers remained stable with slight increase.

Looking forward, the Group is confident that our manufacturing and sales of handbags segment can maintain stable growth.

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 2018 together with comparative figures for the year ended 31 December 2017 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
	Note	**2018**	2017
		RMB'000	*RMB'000*
Revenue	*3*	**854,080**	751,801
Cost of sales		**(487,602)**	(404,485)
Gross profit		**366,478**	347,316
Distribution and selling expenses		**(243,131)**	(128,834)
General and administrative expenses		**(128,834)**	(97,666)
Net impairment losses on financial assets		**(277)**	—
Other income		**13,831**	6,116
Other (losses)/gains, net	*4*	**(138)**	9,722
Operating profit		**7,929**	46,484
Share of loss of associates		**(4,394)**	(2,450)
Finance income		**189**	203
Finance expenses		**(6,959)**	(9,533)
Finance expenses — net		**(6,770)**	(9,330)
(Loss)/profit before taxation		**(3,235)**	34,704
Income tax expense	*5*	**(5,672)**	(14,018)
(Loss)/profit for the year		**(8,907)**	20,686
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(11,144)**	15,216
Non-controlling interest		**2,237**	5,470

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit assets		**228**	296
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**14,271**	5,398
Other comprehensive income for the year		**14,499**	5,694
Total comprehensive income for the year		**5,592**	26,380
Total comprehensive income for the year attributable to:			
— Equity holders of the Company		**3,355**	20,910
— Non-controlling interests		**2,237**	5,470
(Loss)/earnings per share (RMB cents) — basic	*7*	**(0.76)**	1.61
(Loss)/earnings per share (RMB cents) — diluted	*7*	**(0.76)**	1.61

CONSOLIDATED BALANCE SHEET

At 31 December 2018

	Note	As at 31 December **2018** ***RMB'000***	 2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**248,048**	168,643
Prepaid lease payments		**40,663**	44,007
Investment properties		**35,426**	32,896
Investments in associates		**292,975**	287,142
Goodwill		**583,931**	45,495
Intangible assets		**508,106**	101,535
Deferred tax assets		**31,388**	10,805
Defined benefit assets		**5,183**	4,710
Trade and other receivables	*8*	**43,379**	19,565
Financial assets at fair value through other comprehensive income		**2,000**	—
Other non-current assets		**4,745**	—
		1,795,844	714,798
Current assets			
Inventories		**94,202**	83,539
Prepaid lease payments		**531**	520
Trade and other receivables	*8*	**120,323**	100,038
Other current assets		**82,067**	—
Tax recoverable		**996**	795
Financial assets at fair value through profit or loss		**42,194**	27,000
Derivative financial instrument		**—**	1,029
Cash and cash equivalents		**302,277**	398,033
		642,590	610,954
Total Assets		**2,438,434**	1,325,752

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Current liabilities			
Trade and other payables	*9*	**366,412**	147,478
Contract liabilities		**79,261**	—
Borrowings		**5,000**	221,000
Tax payable		**5,206**	4,653
Convertible bonds	*10*	**19,800**	—
		475,679	373,131
Non-current liabilities			
Payable in relation to put right of non-controlling interests	*11*	**103,496**	—
Convertible bonds	*10*	**517,592**	—
Deferred tax liabilities		**124,868**	24,584
Borrowings		**229,742**	—
Deferred government grants		**3,761**	2,175
		979,459	26,759
Total liabilities		**1,455,138**	399,890
Capital and reserves			
Share capital		**122,949**	122,949
Reserves		**776,128**	766,158
Equity attributable to equity holders of the Company		**899,077**	889,107
Non-controlling interests		**84,219**	36,755
Total equity		**983,296**	925,862
Total liabilities and equity		**2,438,434**	1,325,752

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 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, except for the following:

- Investment property — measured at fair value,
- Financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instrument — measured at fair value, and
- Defined benefit assets — plan assets measured 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.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

(a) ***New and amended standards adopted by the Group***

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018:

- HKFRS 9 Financial Instruments
- HKFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions — Amendments to HKFRS 2
- Annual Improvements 2014–2016 cycle
- Transfers to Investment Property — Amendments to HKAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Group had to change its accounting policies and to make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in the prior periods and are not expected to significantly affect the current or future periods.

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

(i) *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 by lessees, 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.

Impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of RMB464,304,000.

For the lease commitments the Group expects to recognise right-of-use assets of approximately RMB379,072,000 and lease liabilities of approximately RMB379,072,000, respectively, on 1 January 2019.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by 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.

2.2 Changes in accounting policy and disclosures

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) *Impact on the financial statements*

HKFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting HKFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group has adopted HKFRS 15 using the modified retrospective approach and has not restated comparatives for the 2017 financial year.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	**31 December 2017**	**HKFRS 9**	**HKFRS 15**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Other current assets	—	—	37,504	37,504
Trade and other receivables	100,038	—	(37,504)	62,534
Current liabilities				
Trade and other payables	147,478	—	(16,387)	131,091
Contract liabilities	—	—	16,387	16,387

(b) ***HKFRS 9 Financial Instruments — Impact of adoption***

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has adopted HKFRS 9 from 1 January 2018. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) *Classification and measurement*

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories, the majority of the Group's financial assets include:

- loans and receivables previously measured at amortised cost which meet the conditions for classification at amortised cost under HKFRS 9;
- investments in wealth management products previously classified as financial assets at fair value through profit or loss ("FVPL") which remain as FVPL under HKFRS 9; and
- investment in unlisted company which is classified as financial assets at fair value through other comprehensive income ("FVOCI") under HKFRS 9.

(ii) *Impairment of financial assets*

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables, and
- other receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings as at 1 January 2018 was immaterial and there was no adjustment in retained earnings as at 1 January 2018.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, no impairment loss was identified.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging analysis.

The expected loss rates are based on the payment profiles of sales over a period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Other receivables

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available, reasonable and supportive forwarding-looking information.

(c) ***HKFRS 15 Revenue from Contracts with Customers — Impact of adoption***

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules using the modified retrospective approach. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

	HKAS 18 carrying amount 31 December 2017	**Reclassification**	**HKFRS 15 carrying amount 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Other current assets	—	37,504	37,504
Trade and other receivables	100,038	(37,504)	62,534
Current liabilities			
Trade and other payables	147,478	(16,387)	131,091
Contract liabilities	—	16,387	16,387

There was no impact in the Group's retained earnings as at 1 January 2018.

(i) *Presentation of assets and liabilities related to contracts with customers*

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract liabilities in relation to contracts were previously included in other payables and accruals.
- Other receivables (deductible VAT input) and prepayments were previously presented together with trade and other receivables but are now presented as other current assets in the balance sheet, to reflect their different nature.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments under HKFRS 8 Operating Segments ("HKFRS 8"), 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 focus on types of goods or services delivered or provided.

During the year ended 31 December 2018, The Group's operating and reportable segments under HKFRS 8 are as follows:

(i) Food and beverage business; and

(ii) Manufacturing and sales of handbags business.

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

Year ended 31 December 2018

	Food and beverage business *RMB'000*	**Manufacturing and sales of Handbags business** *RMB'000*	**Total** *RMB'000*
Total revenue	**470,181**	**383,899**	**854,080**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**470,181**	**383,899**	**854,080**
Segment gross profit	**270,248**	**96,230**	**366,478**
Distribution and selling expenses			**(243,131)**
General and administrative expenses			**(128,834)**
Net impairment losses on financial assets			**(277)**
Other income			**13,831**
Other losses, net			**(138)**
Finance expense, net			**(6,770)**
Share of loss of associates			**(4,394)**
Loss before taxation			**(3,235)**
Income tax expense			**(5,672)**
Loss for the year			**(8,907)**
Other Information:			
Significant non-cash expenses			
Depreciation and amortisation	**20,571**	**8,153**	**28,724**
As at 31 December 2018			
Total assets	**2,118,770**	**319,664**	**2,438,434**
Including:			
Investments in associates	**292,975**	**—**	**292,975**
Total liabilities	**1,362,440**	**92,698**	**1,455,138**

Year ended 31 December 2017

	Food and beverage business	Manufacturing and sales of Handbags business	Total
	RMB'000	*RMB'000*	*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 expense, 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

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2017 and 2018.

Revenue of approximately RMB155,162,000 (2017: RMB113,870,000) is derived from a single external customer, which is attributable to the manufacturing and sales of handbags segment.

Geographical information

The Group's revenue from external customers by geographical location during the year is as follows:

	Revenue from external customers Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
The PRC	**494,513**	428,034
The USA	**166,572**	141,373
Canada	**46,706**	32,764
Other Asian countries	**33,202**	38,253
Other European countries	**28,993**	26,357
Germany	**23,767**	17,706
Italy	**22,198**	30,935
Hong Kong	**20,577**	14,449
South American countries	**6,976**	8,019
The Netherlands	**5,824**	8,497
The United Kingdom	**4,089**	4,310
The Middle East and Africa	**663**	1,104
	854,080	751,801

4. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net exchange gain	**2,080**	1,346
(Loss)/gain on fair value changes on derivative financial instrument	**(1,029)**	385
(Loss)/gain on disposal of property, plant and equipment	**(650)**	295
(Loss)/gain on fair value changes of investment properties	**(402)**	404
Recovery of other receivable due from a former subsidiary	**—**	7,292
Others	**(137)**	—
	(138)	9,722

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
Hong Kong profit tax	**2,589**	2,999
PRC enterprise income tax ("**EIT**")	**1,464**	6,344
	4,053	9,343
Deferred tax	**1,619**	4,675
	5,672	14,018

Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The PRC

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

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 years as the Myanmar subsidiary incurred losses for both years.

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 years as the Thailand subsidiary incurred losses for both years.

6. DIVIDENDS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Proposed final dividend of nil (2017: HK$1.5 cents per ordinary share)	**—**	18,623

On 7 March 2018, the board of directors of the Company proposed a final dividend of HK$1.5 cents per ordinary share of the Company for the year ended 31 December 2017. The Board resolved not to declare any dividend for the year ended 31 December 2018.

7. (LOSS)/EARNINGS PER SHARE

	Year ended 31 December	
	2018	2017
	RMB cents	*RMB cents*
Basic (loss)/earnings per share	**(0.76)**	1.61
Diluted (loss)/earnings per share	**(0.76)**	1.61

(a) Basic

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
(Loss)/profit attributable to equity holders of the Company	**(11,144)**	15,216
Weighted average number of ordinary shares in issue (thousands)	**1,460,593**	942,924

(b) Diluted

Diluted (loss)/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. The convertible bonds are assumed to have been converted into ordinary shares and adjusted for the impact of interest expense of the convertible bonds.

The computation of diluted (loss)/earnings per share for the years ended 31 December 2018 and 2017 did not assume the issuance of any dilutive potential ordinary share since they are anti-dilutive, which would decrease loss per share or increase earnings per share, respectively.

8. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(a)*	**88,857**	54,710
Prepayments	**—**	30,716
Other receivables	**75,122**	34,177
Total trade and other receivables	**163,979**	119,603
Less: provision for impairment	**(277)**	—
Trade and other receivables — net	**163,702**	119,603
Less: Non-current portion	**(43,379)**	(19,565)
Trade and other receivables — current portion	**120,323**	100,038

(a) Trade receivables

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Related parties	**15,247**	—
Third parties	**73,610**	54,710
Subtotal	**88,857**	54,710
Less: provision for impairment	**(277)**	—
Trade and other receivables — net	**88,580**	54,710

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**77,395**	54,710
6 months to 1 year	**11,462**	—
	88,857	54,710

9. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period obtained for trade purchases is 7 to 180 days.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**91,413**	73,655
Other payables and accruals	**274,999**	73,823
	366,412	147,478

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 6 months	**91,023**	73,655
Over 6 months	**390**	—
	91,413	73,655

10. CONVERTIBLE BONDS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Put option on issuance of convertible bonds *(a)*	**—**	1,029

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
Convertible bonds	**19,800**	—
Non-current		
Convertible bonds	**517,592**	—

(a) Derivative financial instruments

The balance represented the fair value of the Company's put option on issuance of convertible bonds.

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 Agreements**") 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 Agreements were approved by the Company's shareholders on 13 November 2016.

Pursuant to the Investment Agreements, 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.

During the year ended 2018, the Company issued convertible bonds in an aggregate principal amount of HK$750,000,000 (2017: HK$750,000,000) and the put option was derecognised as all the convertible bonds had been issued pursuant to the Investment Agreement. The related loss of RMB1,029,000 was recognised as a loss on fair value change of derivative financial instrument and recorded in "other gains, net" during the year ended 31 December 2018.

(b) Convertible bonds

During the year ended 31 December 2018, the Company issued convertible bonds in an aggregate principal amount of HK$750,000,000 (2017: HK$750,000,000). The major terms and conditions of the Convertible Bonds are as follows:

(i) ***Interest rate:***

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

(ii) ***Conversion price:***

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

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

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

(iv) ***Maturity***

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

(v) *Redemption on maturity*

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

(vi) *Redemption at the option of the bondholder*

(1) *Redemption on change of control*

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

(2) *Redemption on Delisting*

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

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

The movement in the components of the Convertible Bonds during the years ended 31 December 2017 and 2018 are as follows:

	Liability component *RMB'000*	Equity component *RMB'000*	Total *RMB'000*
As at 1 January 2017	—	—	—
Issuance of convertible bonds *(i)*	559,522	88,930	648,452
Interest expenses *(ii)*	7,434	—	7,434
Conversion of convertible bonds *(iii)*	(547,020)	(88,930)	(635,950)
Currency translation difference	(19,936)	—	(19,936)
As at 31 December 2017	—	—	—
As at 1 January 2018	—	—	—
Issuance of convertible bonds *(i)*	537,933	128,089	666,022
Interest expenses *(ii)*	4,125	—	4,125
Currency translation difference	(4,666)	—	(4,666)
As at 31 December 2018	537,392	128,089	665,481

(i) Details of the Convertible Bonds issued and converted during the years ended 31 December 2017 and 2018 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
4th issuance	23 November 2018	HK$750,000,000	—	—

(ii) The interest expense of RMB4,125,000 (2017: RMB7,434,000) was calculated using the effective interest method.

(iii) During the year ended 31 December 2017, Convertible Bonds with principal amount of HK$750,000,000 were converted into 635,593,000 ordinary shares of the Company, which resulted in an increase in share capital of HK$63,559,000 (equivalent to approximately RMB53,894,000) and share premium of HK$690,564,000 (equivalent to approximately RMB582,056,000), respectively.

During the year ended 31 December 2018, none of the Convertible Bonds was converted.

(iv) As at 31 December 2018, current portion of the Convertible Bonds represented interest payable calculated at the coupon rate of 3% per annum, which amounted to HK$22,500,000 (equivalent to approximately RMB19,800,000). The remaining amount of the Convertible Bonds were classified as non-current liabilities.

11. BUSINESS COMBINATION

On 19 June 2018, Delightful Year Holdings Limited ("Delightful Year"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "SPA") with Mr. Li Jian, Mr. Xu Bochun and other individuals (collectively, "the Seller"), pursuant to which:

(1) The Group agreed to purchase and the Seller agreed to sell 72% equity interest in New Spicy Way for a cash consideration of RMB696,143,000 (the "Tranche I Acquisition");

(2) Subject to the occurrence of the Tranche I Acquisition, the Group agreed to purchase and the Seller agreed to sell an aggregate of 15% equity interest in Beijing New Spicy Way on or before 31 March 31 2019 at specific consideration stipulated in the SPA with a minimum amount of RMB142,500,000 and a cap amount of RMB330,000,000 (the "Tranche II Acquisition"); and

(3) In addition to the Tranche I Acquisition and the Tranche II Acquisition, the Group has granted the right in favour of the Seller, pursuant to which the Seller will have the right, but not an obligation, to require the Group to purchase 13% equity interest in Beijing New Spicy Way from the Sellers at specific consideration stipulated in the SPA with a minimum amount of RMB123,500,000 and a cap amount of RMB286,000,000, if the net profit of the New Spice Way Group for any of the years ended 31 December 2019, 2020 and 2021 exceeds RMB41,000,000 (the "Put Right").

The Tranche I Acquisition was completed on 30 November 2018 (the "Completion Date").

Based on the assessment performed on the Completion Date, management of the Group determined that the significant risk and reward of ownership relating to the 15% equity interest in relation to the Tranche II Acquisition has been transferred to the Group upon the completion of the Tranche I Acquisition. As a result, the Tranche I Acquisition and the Tranche II Acquisition are considered as linked transactions for the purpose of accounting for business combination. As at the Completion date and 31 December 2018, management of the Group estimates that the consideration for the Tranche II Acquisition was RMB142,500,000, which was included in "trade and other payables" in the consolidated balance sheet.

To reflect the amount payable in relation to the Put Right based on management's estimate of the possibility for the Seller to exercise the Put Right, the present value of the estimated amount payable of RMB102,850,000 is recognised as a financial liability with the corresponding amount debited to special reserve. The amount is calculated based on the consideration of RMB123,500,000 and discounted at the cost of debt of the Company. The subsequent changes in the fair values of the liabilities (other than the cash settlement) are recognised in profit or loss. For the year ended 31 December 2018, finance expenses amounting to RMB646,000 are recognised in profit or loss to accrete the liabilities at the discount rate in arriving at their present values. As at 31 December, the payable in relation to the Put Right amounted to RMB103,496,000, which was recorded as a non-current liability in the consolidated balance sheet.

The effect of the Tranche I Acquisition and the Tranche II Acquisition is summarised as follows:

(a) Consideration transferred

	RMB'000
Cash consideration paid for the Tranche I Acquisition	696,143
Consideration payable for the Tranche II Acquisition	142,500
	838,643

(b) Recognised amounts of identifiable assets acquired and liabilities assumed

The fair value of net assets of New Spice Way Group acquired as at the Completion Date is as follows:

	Fair value *RMB'000*
Current assets	
Inventories	19,458
Trade and other receivables *(i)*	130,368
Cash and cash equivalents	17,964
Other current assets	16,988
Non-current assets	
Property, plant and equipment	81,827
Intangible assets — computer software	6,065
Intangible assets — trademark *(ii)*	399,677
Trade and other receivables — non-current portion *(i)*	36,343
Deferred tax assets	22,512
Current liabilities	
Borrowing	(38,680)
Trade and other payables	(167,274)
Tax payable	(3,298)
Contract liabilities	(72,903)
Non-current liabilities	
Borrowing	(1,200)
Deferred government grant	(2,495)
Deferred tax liabilities *(ii)*	(99,919)
Total identifiable net assets	345,433

Notes:

(i) Acquired trade and other receivables

The fair value of trade and other receivables was RMB166,711,000, including trade receivables with a fair value of RMB22,634,000. The gross contractual amount for trade receivables was RMB22,634,000, of which none was expected to be uncollectible.

(ii) Intangible assets and deferred income tax liabilities

The acquired identifiable intangible assets of RMB399,677,000 represented the trademark of the New Spicy Way Group. Deferred income tax liabilities of RMB99,919,000 had been provided in relation to these fair value adjustments.

(c) Goodwill arising from the acquisition

The excess amount of the total consideration for the Tranche I Acquisition and the Tranche II Acquisition over the fair value of the net identifiable assets of New Spicy Group acquired by the Group is recognised as goodwill which amounted to RMB546,507,000 and is considered as the synergy with the Group and work force that did not meet the criteria for recognition as intangible assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

	As at the date of acquisition *RMB'000*
Total cash consideration	838,643
Less: total fair value of net assets of the New Spicy Way Group	(345,433)
Add: Non-controlling interests in net assets of the New Spicy Way Group	45,226
Goodwill	538,436

(d) Cash outflow for the acquisition

	Year ended 31 December 2018 *RMB'000*
Outflow of cash for the acquisition, net of cash acquired	
— Cash consideration paid to the Seller	696,143
— Bank balances and cash acquired	(17,964)
Cash outflow for the acquisition during the year	678,179

(e) Transaction cost

Transaction cost of RMB5,099,000 was included in general and administrative expenses in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

(f) Revenue and profit contribution impact

Included in the profit for the year ended 31 December 2018 were revenue of RMB48,836,000 and profit of RMB6,688,000 contributed by the New Spicy Way Group.

Had the New Spicy Way Group been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show pro-forma revenue of RMB1,388,769,000 and net loss of RMB16,801,000 respectively, which are calculated by aggregating the financial information of the New Spicy Way Group and the Group.

12. CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**6,550**	7,747

13. EVENTS AFTER THE BALANCE SHEET DATE

On 15 March 2019, the Company has received a conversion notice from Sonic Tycon Limited in respect of the exercise of the conversion rights attached to the Convertible Bonds in an aggregate principal amount of HK$139,323,520 at the Conversion Price of HK$1.18 per Share (the "Conversion"). As a result of the Conversion, the Company allotted and issued a total of 118,070,780 Conversion Shares on 22 March 2019 to Sonic Tycon Limited.

FINAL DIVIDEND

The board of directors of the Company has determined not to declare final dividend for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2018 was RMB983.3 million (31.12.2017: RMB925.9 million). As at 31 December 2018, the Group had current assets of RMB642.6 million (31.12.2017: RMB610.9 million) and current liabilities of RMB475.7 million (31.12.2017: RMB373.1 million). The current ratio was 1.35 as at 31 December 2018 as compared to 1.64 as at 31 December 2017.

The Group generally finances its operations with internally generated cash flow and convertible bonds issued to shareholder. As at 31 December 2018, the Group had outstanding bank borrowings of RMB5.0 million (31.12.2017: nil). As at 31 December 2018, the Group maintained bank balances and cash of RMB302.3 million (31.12.2017: RMB398.0 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) was 0.30 as at 31 December 2018 (31.12.2017: 0.43).

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

CAPITAL COMMITMENTS

As at 31 December 2018, 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 RMB6.6 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

On 15 March 2019, the Company has received a conversion notice from Sonic Tycon Limited in respect of the exercise of the conversion rights attached to the Convertible Bonds in an aggregate principal amount of HK$139,323,520 at the Conversion Price of HK$1.18 per Share (the "Conversion"). As a result of the Conversion, the Company allotted and issued a total of 118,070,780 Conversion Shares on 22 March 2019 to Sonic Tycon Limited.

HUMAN RESOURCES

At 31 December 2018, the Group had a workforce of about 8,600 people (Food and beverage business: 5,100 people, Manufacturing and sales of handbags: 3,500 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors believe that save for the deviation to code provision A.2.1 as disclosed below, the Company has complied with the code provision set out in the Corporate Governance Code contained in Appendix 14 of the Rules Covertly the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2018.

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. Code provision A.2.1 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.

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 of the Company, comprising all the independent non-executive Directors of the Company, has reviewed the audited annual result of the Group for the year ended 31 December 2018 and have discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year under review. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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, 29 March 2019

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.