HUABAO INTERNATIONAL HOLDINGS LIMITED
華寶國際控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 00336)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE OF FINANCIAL HIGHLIGHTS

	Year ended 31 December 2019[1] *RMB'000*	Nine months ended 31 December 2018[1] *RMB'000*
Continuing operations		
Revenue	**4,241,040**	3,058,707
Gross profit	**2,745,410**	1,949,805
Gross profit margin	***64.7%***	*63.7%*
Operating profit	**1,728,811**	1,287,750
EBITDA margin[2]	***47.0%***	*46.9%*
EBIT margin	***40.8%***	*42.1%*
Profit before income tax	**1,745,817**	1,374,957
Profit from continuing operations for the year/period	**1,373,741**	1,054,152
Profit from continuing and discontinued operations attributable to the equity holders of the Company	**1,112,004**	1,017,959
Earnings per share (basic and diluted)	***RMB cents***	*RMB cents*
– Continuing operations	**35.78**	27.78
– Discontinued operation	**–**	4.97
	35.78	32.75
Proposed/paid final dividend per share *(note 9)*	**HK10.0 cents**	HK8.8 cents
Paid special dividend per share *(note 9)*	**–**	HK18.9 cents
Total dividend for the year/period *(note 9)*	**HK18.8 cents**	HK 37.7 cents
Dividend payout ratio for the year/period	**47.3%**	100.9%

1 *As announced by the Company on 11 December 2018, the Company's financial year end date has been changed from 31 March to 31 December. Accordingly, the financial statements presented for the current financial reporting period covered for a period of twelve months from 1 January 2019 to 31 December 2019 with the comparative figures covered for a period of nine months from 1 April to 31 December 2018.*

2 *"EBITDA margin" equal to "Earnings before taxes, interest, depreciation, amortisation and share-based compensation expenses" divided by "Revenue".*

* *For identification purpose only*

On 27 March 2020, the board of directors (the "Board") of Huabao International Holdings Limited (the "Company" or "Huabao") approved the audited annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 together with the comparative figures for the nine months ended 31 December 2018.

CONSOLIDATED INCOME STATEMENT

	Note	**Year ended 31 December 2019** *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Continuing operations:			
Revenue	*4*	**4,241,040**	3,058,707
Cost of goods sold	*5*	**(1,495,630)**	(1,108,902)
Gross profit		**2,745,410**	1,949,805
Other income and other gains - net	*6*	**225,509**	122,323
Selling and marketing expenses	*5*	**(358,305)**	(208,417)
Administrative expenses	*5*	**(867,398)**	(574,345)
Net impairment losses on financial asset		**(16,405)**	(1,616)
Operating profit		**1,728,811**	1,287,750
Finance income		**176,956**	154,344
Finance costs		**(188,984)**	(76,913)
Finance (costs)/income – net		**(12,028)**	77,431
Share of results of associates and a jointly controlled entity		**29,034**	9,776
Profit before income tax		**1,745,817**	1,374,957
Income tax expense	*7*	**(372,076)**	(320,805)
Profit from continuing operations for the year/period		**1,373,741**	1,054,152
Profit from discontinued operation for the year/period		**–**	136,839
Profit for the year/period		**1,373,741**	1,190,991
Attributable to:			
Equity holders of the Company		**1,112,004**	1,017,959
Non-controlling interests		**261,737**	173,032
		1,373,741	1,190,991
Earnings per share for profit from continuing operations and discontinued operation attributable to the Company's equity holders for the year/period		***RMB cents***	*RMB cents*
Basic and diluted:			
Continuing operations	*8*	**35.78**	27.78
Discontinued operation	*8*	**–**	4.97
		35.78	32.75

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2019 *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Profit for the year/period	**1,373,741**	1,190,991
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Fair value changes of equity investments at fair value through other comprehensive income, net of tax	**(17,531)**	26,408
Currency translation differences of the Company and its non-foreign operations	**(13,421)**	–
Items that may be reclassified to profit or loss		
Currency translation differences of foreign operations	**(466)**	103,365
Release of exchange reserve upon disposal of a subsidiary	**–**	29,519
Other comprehensive (loss)/income for the year/period, net of tax	**(31,418)**	159,292
Total comprehensive income for the year/period, net of tax	**1,342,323**	1,350,283
Total comprehensive income attributable to:		
Equity holders of the Company	**1,081,266**	1,171,899
Non-controlling interests	**261,057**	178,384
	1,342,323	1,350,283
Total comprehensive income attributable to equity holders of the Company arises from:		
Continuing operations	**1,081,266**	1,017,430
Discontinued operation	**–**	154,469
	1,081,266	1,171,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,391,118**	1,244,569
Right-of-use assets	*3*	**260,560**	–
Land use rights	*3*	**–**	187,310
Intangible assets		**6,807,495**	6,899,997
Investments in associates		**385,881**	396,685
Investment in a jointly controlled entity		**3,313**	7,085
Financial assets at fair value through other comprehensive income		**161,905**	159,197
Financial assets at fair value through profit or loss		**58,304**	–
Deferred income tax assets		**135,257**	111,593
Other non-current assets		**15,606**	15,874
		9,219,439	9,022,310
Current assets			
Inventories		**931,385**	896,243
Trade and other receivables	*10*	**1,322,626**	1,540,188
Financial assets at fair value through profit or loss		**768,111**	574,298
Short-term time deposits		**2,334,294**	1,606,790
Cash and cash equivalents		**3,387,780**	5,535,601
		8,744,196	10,153,120
Total assets		**17,963,635**	19,175,430

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**318,636**	318,647
Reserves		**2,540,529**	2,571,885
Retained earnings		**8,969,048**	8,863,604
		11,828,213	11,754,136
Non-controlling interests		**1,771,260**	1,991,282
Total equity		**13,599,473**	13,745,418
LIABILITIES			
Non-current liabilities			
Borrowings	*11*	**2,310,474**	2,756,438
Lease liabilities	*3*	**60,135**	–
Deferred income tax liabilities		**205,736**	254,520
Trade and other payables	*12*	**800**	800
		2,577,145	3,011,758
Current liabilities			
Borrowings	*11*	**688,302**	933,701
Lease liabilities	*3*	**22,448**	–
Trade and other payables	*12*	**666,864**	996,866
Current income tax liabilities		**236,514**	264,598
Contract liabilities		**172,889**	223,089
		1,787,017	2,418,254
Total liabilities		**4,364,162**	5,430,012
Total equity and liabilities		**17,963,635**	19,175,430

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2019 *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Cash flows from operating activities		
Cash generated from operations	**2,031,748**	1,475,538
Income tax paid	**(472,165)**	(242,632)
Net cash generated from operating activities	**1,559,583**	1,232,906
Cash flows from investing activities		
Acquisition of subsidiaries	**–**	(4,591,054)
Proceeds from disposal of subsidiaries	**–**	207,146
Acquisition of an associate	**(2,411)**	(17,450)
Proceeds from disposal of an associate	**18,586**	–
Purchases of financial assets at fair value through other comprehensive income	**(20,642)**	(48,331)
Proceeds from disposal of interest in financial assets at fair value through other comprehensive income	**2,545**	–
Purchases of financial assets at fair value through profit or loss	**(1,068,720)**	(579,660)
Proceeds from disposal of financial assets at fair value through profit or loss	**829,950**	293,922
Purchases of property, plant and equipment, land use rights and intangible assets	**(312,097)**	(265,114)
Proceeds from disposal of property, plant and equipment and intangible assets	**16,655**	5,694
Short-term time deposits placed	**(3,134,294)**	(2,640,100)
Short-term time deposits released	**2,406,790**	2,110,265
Dividend received	**12,805**	10,161
Interest received	**178,319**	138,843
Net cash used in investing activities	**(1,072,514)**	(5,375,678)
Cash flows from financing activities		
Final dividends for the year ended 31 March 2018 paid to shareholders	**–**	(405,353)
Interim dividends for the six months period ended 30 September 2018 paid to shareholders	**(275,620)**	–
Final and special dividends for the nine months ended 31 December 2018 paid to shareholders	**(756,818)**	–
Interim dividends for the six months ended 30 June 2019 paid to shareholders	**(247,048)**	–
Dividends paid to non-controlling interests	**(479,367)**	(39,623)
Capital contributions from non-controlling interests	**915**	1,800
New bank borrowings	**756,607**	3,580,389
Repayment of bank borrowings	**(1,461,703)**	(100,250)
Principal elements of lease payments	**(19,599)**	–
Repurchases of shares	**–**	(352)
Interest elements of lease payments	**(3,092)**	–
Interest paid related to bank borrowings and others	**(185,814)**	(95,999)
Net cash (used in)/generated from financing activities	**(2,671,539)**	2,940,612
Net decrease in cash and cash equivalents	**(2,184,470)**	(1,202,160)
Cash and cash equivalents at the beginning of the year/period	**5,535,601**	6,635,651
Effects of currency translation on cash and cash equivalents	**36,649**	102,110
Cash and cash equivalents at the end of the year/period	**3,387,780**	5,535,601

Notes:

1. BASIS OF PREPARATION

On 11 December 2018, the Board of Directors of the Company announced that the financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ended 31 December 2018 to align the Company's financial year end date with that of the Group's PRC subsidiaries. Accordingly, the current financial year covers twelve months from 1 January to 31 December 2019 while the comparative period covers nine months from 1 April to 31 December 2018, and thereby the figures of the comparative period are not directly comparable.

The consolidated financial statements of the Company have been prepared on a historical cost basis in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and requirements of the Hong Kong Companies Ordinance Cap 622, except for financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the nine months ended 31 December 2018, as described in those financial statements, except for the adoption of new and amendments to HKFRSs effective for the financial year beginning 1 January 2019.

(a) New and revised standards and amendments to existing standards that are effective for the first time for this financial year do not have a material impact to the Group, except for HKFRS 16 "Lease" ("HKFRS 16").

The impact of the adoption of HKFRS 16 is disclosed in Note 3 and the new accounting policies adopted are set out in Note 2(b) below.

(b) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015 – 2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- HK (IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

(c) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

3. CHANGE IN ACCOUNTING POLICIES

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the reporting period ended 31 December 2018, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases ("HKAS 17"). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 3.11% to 4.33%. There were no leases classified as finance leases across the Group as at 1 January 2019 and 31 December 2019.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

(b) Measurement of lease liabilities

	2019
	RMB'000
Operating lease commitments as at 31 December 2018	**90,281**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**80,151**
(Less): short-term leases recognised on a straight-line basis as expense	**(7,816)**
Lease liability recognised as at 1 January 2019	**72,335**
Of which are:	
Current lease liabilities	**14,950**
Non-current lease liabilities	**57,385**
	72,335
Lease liability recognised as at 31 December 2019	**82,583**
Of which are:	
Current lease liabilities	**22,448**
Non-current lease liabilities	**60,135**
	82,583

(c) Measurement of right-of-use assets

Prepaid lease payment in respect of the land use right in the PRC is reclassified as right-of-use assets under HKFRS 16, which is measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. Other right-of-use assets which had previously been classified as 'operating leases' under the principles of HKAS 17 were measured on a lease-by-lease basis, as if the new rules had always been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

	As at 31 December 2019	As at 1 January 2019
	RMB'000	*RMB'000*
Right-of-use assets:		
Land use rights (reclassified from the financial statement line item "land use rights")	**181,129**	187,310
Properties	**79,373**	69,092
Motor vehicles	**58**	230
	260,560	256,632

(d) Impacts of adoption of HKFRS16

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

	At 31 December 2018 As originally presented	HKFRS 16 Capitalisation of operating lease contracts	HKFRS 16 Reclassification	At 1 January 2019 Restated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consolidated statement of financial position (extract)				
Right-of-use assets	–	69,322	187,310	256,632
Land use rights	187,310	–	(187,310)	–
Deferred income tax assets	111,593	446	–	112,039
Lease liabilities	–	72,335	–	72,335
Retained earnings	8,863,604	(2,022)	–	8,861,582
Non-controlling interests	1,991,282	(545)	–	1,990,737

4. REVENUE AND SEGMENT INFORMATION

The Group has organised its operations into four main operating segments:

(1) Flavours and fragrances;

(2) Tobacco raw materials;

(3) Aroma raw materials; and

(4) Condiment.

The chief operating decision-makers have been identified as the executive directors (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business from the operation's perspective and assess the performance of flavours and fragrances, tobacco raw materials, aroma raw materials and condiment segments.

(1) Flavours and fragrances segment includes research and development, production and sale of flavours and fragrances products.

(2) Tobacco raw materials segment includes research and development, production and sale of paper-making reconstituted tobacco leaves and new materials products that are innovative, functional and applicable to tobacco industry.

(3) Aroma raw materials segment includes research and development, manufacture and sale of aroma raw materials products that are extracted from natural materials or generated from chemical process.

(4) Condiment segment includes production, sales, marketing and distribution of condiments. This segment was established following the acquisition of Jiahao Foodstuff Limited and its subsidiaries in September 2018.

The Innovative tobacco products segment has been classified as a discontinued operation in the annual report for the nine months ended 31 December 2018.

The Executive Directors assess the performance of the operating segments based on a measure of operating profit.

The segment information for the year ended 31 December 2019 is presented below:

	For the year ended 31 December 2019					
	Flavours and fragrances	**Tobacco raw materials**	**Aroma raw materials**	**Condiment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total revenue	2,185,339	763,962	625,880	700,469	1,894	4,277,544
Inter-segment revenue	(21,412)	(9,538)	(5,471)	(83)	–	(36,504)
Segment revenue – net	2,163,927	754,424	620,409	700,386	1,894	4,241,040
Segment result	1,287,737	311,052	82,124	144,816	(96,918)	1,728,811
Finance income						176,956
Finance costs						(188,984)
Finance cost – net						(12,028)
Share of results of associates and a jointly controlled entity						29,034
Profit before income tax						1,745,817
Income tax expense						(372,076)
Profit for the year						1,373,741
Depreciation	40,976	85,029	21,462	8,003	5,042	160,512
Amortisation	1,762	9,951	16,841	73,672	221	102,447

	As at 31 December 2019					
	Flavours and Fragrances	**Tobacco raw materials**	**Aroma raw materials**	**Condiment**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	8,420,755	3,029,563	957,280	5,277,279	278,758	17,963,635

The segment information for the nine months ended 31 December 2018 is presented below:

	For the nine months ended 31 December 2018							
	Flavours and fragrances *RMB'000*	Tobacco raw materials *RMB'000*	Aroma raw materials *RMB'000*	Condiment *RMB'000*	Others *RMB'000*	Continuing operation (total) *RMB'000*	Innovative Tobacco Products (Discontinued operation) *RMB'000*	Total *RMB'000*
Total revenue	1,674,710	720,110	513,152	170,979	12	3,078,963	120,586	3,199,549
Inter-segment revenue	(10,315)	(5,448)	(4,493)	–	–	(20,256)	–	(20,256)
Segment revenue – net	1,664,395	714,662	508,659	170,979	12	3,058,707	120,586	3,179,293
Segment result	952,540	325,092	57,405	23,451	(70,738)	1,287,750	155,921	1,443,671
Finance income						154,344	4	154,348
Finance costs						(76,913)	(19,086)	(95,999)
Finance income/(cost) – net						77,431	(19,082)	58,349
Share of results of associates and a jointly controlled entity						9,776	–	9,776
Profit before income tax						1,374,957	136,839	1,511,796
Income tax expense						(320,805)	–	(320,805)
Profit for the period						1,054,152	136,839	1,190,991
Depreciation	21,850	61,286	11,855	2,905	2,804	100,700	1,785	102,485
Amortisation	1,750	8,364	12,343	24,534	266	47,257	15,107	62,364

	As at 31 December 2018					
	Flavours and fragrances *RMB'000*	Tobacco raw materials *RMB'000*	Aroma raw materials *RMB'000*	Condiment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment assets	9,625,781	3,089,171	890,893	5,201,045	368,540	19,175,430

Segment result represents the profit earned by each segment without inclusion of unallocated corporate expenses, finance costs, finance income and share of results of associates and a jointly controlled entity. This is the measure reported to chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

5. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing expenses and administrative expenses are analysed according to their nature (with the exception of "research and development expenses" which are shown as a single item and analysed according to their nature in Note (a) below) as follows:

	Note	**Year ended 31 December 2019** *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Depreciation		**142,607**	85,776
Amortisation		**98,930**	44,699
Provision for impairment of inventories		**7,589**	762
Changes in inventories of finished goods and work in progress		**(37,535)**	108,816
Raw materials and consumables used		**1,141,046**	709,542
Lease rentals		**–**	21,336
Short-term lease rentals		**16,249**	–
Auditor's remuneration			
– Audit services		**9,656**	8,096
– Non-audit services		**100**	949
Consulting service fee		**31,162**	47,918
Travelling expenses		**71,574**	34,226
Employee benefit expenses		**477,843**	284,884
Share option expenses		**907**	–
Research and development expenses	*(a)*	**290,674**	198,408
Delivery expenses		**35,029**	37,141
Utilities expenses		**83,069**	57,347
Motor vehicle expenses		**10,391**	8,709
Maintenance expenses		**19,930**	20,309
Advertising and promotion expenses		**96,594**	59,079
Office administrative and communication expenses		**10,449**	7,026
Other surcharges		**53,625**	49,264
Others		**161,444**	107,377
Total of cost of goods sold, selling and marketing expenses and administrative expenses		**2,721,333**	1,891,664

(a) Depreciation, amortisation and employee benefit expenses included in research and development expenses are set out below:

	Year ended 31 December 2019 *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Depreciation	**17,905**	14,924
Amortisation	**3,517**	2,558
Employee benefit expenses	**126,405**	89,581

6. OTHER INCOME AND OTHER GAINS – NET

	Year ended 31 December 2019 *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Change in fair value of financial assets at FVPL	**4,255**	5,035
Dividend income from financial assets at FVPL and FVOCI	**2,652**	–
Gain on disposal of financial asset at FVPL	**7,519**	665
Gain on disposal of an associate	**1,322**	–
Loss on disposal of a subsidiary	**–**	(2,539)
Government grants	**176,396**	101,141
Foreign exchange gain - net	**36,856**	15,976
Others	**(3,491)**	2,045
	225,509	122,323

7. INCOME TAX EXPENSE

	Note	Year ended 31 December 2019 *RMB'000*	Nine months ended 31 December 2018 *RMB'000*
Current income tax			
– Hong Kong profits tax	*(a)*	**13,657**	8,577
– PRC corporate income tax	*(b)*	**429,987**	295,947
– Germany company income tax	*(c)*	**–**	122
– Botswana company income tax	*(d)*	**436**	1,148
Deferred income tax		**(72,004)**	15,011
		372,076	320,805

(a) Hong Kong profits tax has been provided at the rate of 16.5% (Nine months ended 31 December 2018: 16.5%) on the estimated assessable profit for the year.

(b) PRC corporate income tax has been calculated on the estimated assessable profit for the year at the tax rates applicable to respective companies of the Group.

(c) Germany company income tax has been provided at the rate of 15% (Nine months ended 31 December 2018: 15%) on the estimated assessable profit for the year.

(d) Botswana company income tax has been provided at the rate of 15% (Nine months ended 31 March 2018: 15%) on the estimated assessable profit for the year.

(e) No provision for income tax in other jurisdictions has been made as the Group had no assessable profit in those jurisdictions during the year.

8. EARNINGS PER SHARE

Basic and diluted

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

	Year ended 31 December 2019	Nine months ended 31 December 2018
Profit attributable to equity holders of the Company from continuing operations *(RMB'000)*	**1,112,004**	863,440
Profit attributable to equity holders of the Company from discontinued operation *(RMB'000)*	**–**	154,519
Profit attributable to equity holders of the Company *(RMB'000)*	**1,112,004**	1,017,959
Weighted average number of ordinary shares in issue *('000)*	**3,107,837**	3,107,958
Basic and diluted earnings per share attributable to owners of the Company *(RMB cents per share)*:		
From continuing operations	**35.78**	27.78
From discontinued operation	**–**	4.97
	35.78	32.75

For the year ended 31 December 2019, the outstanding share options granted by the Company have no potential dilutive effect on the basic earnings per share, and thus the diluted earnings per share was the same as the basic earnings per share.

9. DIVIDENDS

	Year ended 31 December 2019 ***RMB'000***	Nine months ended 31 December 2018 *RMB'000*
Paid interim dividend of HK8.8 cents (nine months ended 31 December 2018: HK10.0 cents) per share	**247,048**	275,620
Proposed/paid final dividend of HK10.0 cents (nine months ended 31 December 2018: HK8.8 cents) per share	**278,394**	240,433
Paid special dividend of HK18.9 cents per share for nine months ended 31 December 2018	**–**	516,385
	278,394	756,818
	525,442	1,032,438

On 27 March 2020, the Board proposed a final dividend of HK10.0 cents per share, totalling approximately RMB278,394,000 for the year ended 31 December 2019. The proposed dividend in respect of the year ended 31 December 2019 is calculated based on the total number of shares in issue as at the date of this report. The proposed dividend is subject to the shareholder's approval at the Company's forthcoming Annual General Meeting. The financial statements do not reflect this dividend payable.

10. TRADE AND OTHER RECEIVABLES

		As at 31 December	
		2019	2018
	Note	***RMB'000***	*RMB'000*
Trade receivables	*(a)*	**922,923**	1,159,052
Less: provision for impairment of trade receivables		**(12,263)**	(9,334)
Trade receivables - net		**910,660**	1,149,718
Notes receivable		**189,187**	128,312
Prepayments and other receivables		**212,217**	244,977
Advances to staff		**6,489**	4,092
Others		**34,536**	33,782
Less: provision for impairment of other receivables		**(30,463)**	(20,693)
		1,322,626	1,540,188

All trade and other receivables are either recoverable within one year or on demand. Accordingly, the fair values of the trade and other receivables approximate their carrying amounts.

(a) The credit period generally granted to customers ranges from 0 to 180 days. At 31 December 2019 and 31 December 2018, the ageing analysis of the trade receivables (including amounts due from related parties which are trade in nature) based on invoice date was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 - 90 days	**792,694**	1,029,914
91 - 180 days	**41,649**	88,053
181 - 360 days	**53,353**	23,781
Over 360 days	**35,227**	17,304
	922,923	1,159,052

11. BORROWINGS

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Non-current			
Long-term bank borrowings			
– Secured bank borrowings	*(a)*	**2,310,474**	2,888,092
– Unsecured bank borrowings	*(b)*	**–**	12,751
Less: current portion		**–**	(144,405)
		2,310,474	2,756,438
Current			
Short-term bank borrowings			
– Unsecured bank borrowings	*(b)*	**688,302**	789,296
Current portion of non-current liabilities			
– Secured bank borrowings	*(a)*	**–**	144,405
		688,302	933,701
Total borrowings		**2,998,776**	3,690,139

(a) The Group's secured bank borrowings as at 31 December 2019 of RMB2,310,474,000 (31 December 2018: RMB2,888,092,000) were repayable within four years and secured by certain buildings, right-of-use for land with total carrying values of RMB91,856,000 (31 December 2018: RMB95,197,000), and equity interest in Jiahao Foodstuff Limited and Guangdong Jiahao Foodstuff Co., Ltd. During the year, the average interest rate of the loan was 5.70% (nine months ended 31 December 2018: 5.70%) per annum.

(b) The unsecured bank borrowings are repayable within one year. During the year, the average interest rate was 3.63% (nine months ended 31 December 2018: 3.72%) per annum.

Borrowings are financial liabilities categorised under "financial liabilities measured at amortised cost". The fair values of the borrowings approximate their carrying amounts.

Interest expense on bank borrowings for the year ended 31 December 2019 amounted to approximately RMB185,378,000 (nine months ended 31 December 2018: RMB76,183,000). No interest expense was capitalised during the year and nine months ended 31 December 2018.

12. TRADE AND OTHER PAYABLES

	Note	As at 31 December	
		2019	2018
		RMB'000	*RMB'000*
Trade payables	*(a)*	**303,171**	338,697
Dividends payable		**1,218**	272,320
Wages payable		**97,668**	93,537
Other taxes payable		**107,420**	144,941
Accruals for expenses		**28,540**	17,931
Other payable		**129,647**	130,240
		667,664	997,666

The fair values of trade and other payables approximate their carrying amounts.

(a) As at 31 December 2019 and 31 December 2018, the ageing analysis of the trade payables (including amounts due to related parties which are trade in nature) based on invoice dates was as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
0 - 90 days	**271,546**	296,844
91 - 180 days	**16,859**	24,839
181- 360 days	**4,248**	5,678
Over 360 days	**10,518**	11,336
	303,171	338,697

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Overview of the tobacco industry

In 2019, China's economic growth slowed down to 6.1%, representing a decrease of 0.5 percentage point as compared to the corresponding period in 2018. During the period, there were voices in the society proposing an increase in cigarette taxes. The social awareness of tobacco control and smoking ban was further strengthened. According to the data from National Bureau of Statistics, the cigarette production volume in China reached 47.285 million cases in 2019, representing an increase of 1.23% year-on-year while sales volume reached approximately 47.353 million cases, representing a slight decline of 0.17% year-on-year. According to the data from State Tobacco Monopoly Administration, the tobacco industry realized industrial and business tax and profit totalled RMB1,205.6 billion, representing an increase of 4.3% year-on-year; the tobacco industry has paid RMB1,177.0 billion to the treasury department, representing an increase of 17.7% year-on-year. The total profit and the amount paid to the treasury department of the tobacco industry reached record-high, which contributed to the increase of local governments' fiscal income and the overall development of the economy.

In the area of innovative cigarettes, thin cigarettes, short cigarettes, medium-length cigarettes and capsule cigarettes continued to play an important role in optimising product mix and are well received by the market. At the same time, regulators imposed stricter regulation on these innovative cigarettes such that the promotion of these products to the market is more regulated so as to protect the interests of the public.

During the reporting period, the promotion and sales of innovative tobacco products in overseas and Chinese markets were subject to more stringent supervision and restrictions. Entry barriers are getting higher for the innovative tobacco industry in terms of capital, technology and talents. The development of the industry has become more standardized and centralized. At the same time, changes in regulations and policies also posed uncertainties to the development of the innovative tobacco industry.

As for tobacco leaves, the State Tobacco Monopoly Administration committed to further the supply side reform to enhance the quality of tobacco leaves and thereby propelling the tobacco leaves industry to develop toward high quality. (Source: Tobacco Online)

Overview of the food, beverage and fragrances industry

In 2019, as affected by the escalation of the Sino-US trade war and the domestic structural economic reform, the GDP of China has further slowed down as compared to the corresponding period last year to an increase of only 6.1% year-on-year. Amid such unfavorable macro-economic environment, macro adjustment measures were adopted by the Chinese government in order to encourage consumption, such that the food and beverage industry has maintained a steady growth. According to data from National Bureau of Statistics, in 2019, the gross industrial output of enterprises of industrial scale remained stable growth, among which the agricultural product processing industry rose by 1.9% year-on-year, the food processing industry rose by 5.3% year-on-year, and the alcohol, beverage and refined tea processing industry jumped by 6.2% as compared to the corresponding period last year. During the reporting period, consumers not only increased their demand for natural, healthy and functional foods and beverages, but they were also concerned about the brand values and beliefs that the food and beverage brands delivered. As a result, the food and beverage manufacturers have been paying more attention to ensure that their marketing strategies and brand positionings were kept abreast of the times.

In respect of fragrances industry, according to the figures of National Bureau of Statistics on enterprises of industrial scale, from January to November in 2019, the revenue of those with soap and detergent as main business was RMB114.3 billion, representing a drop of 0.21% year-on-year; the revenue of those with cosmetics as main business was RMB113.4 billion, representing a drop of 3.6% year-on-year; the revenue of those with oral cleansing products as main business was RMB23.1 billion, representing an increase of 8.56% year-on-year. Despite the slowed growth rate experienced by the soap and detergents industry, it accounted for the largest market share in the fragrances industry. Although there was a sluggish growth for the revenue of cosmetics industry, it still demonstrated a burgeoning growth thanks to the promotion of new business models including beauty makeup, new retail and social e-commerce.

Overview of the condiment industry

According to the data of National Bureau of Statistics, the total revenue of the catering industry reached RMB4.67 trillion with a year-on-year growth of 9.4% in 2019, demonstrating a steady and healthy growth as compared to the 7.7% growth rate in 2018. Following the successful achievement of standardization, economies of scale and chain-store deployments by a number of Chinese catering enterprises, the catering industry not only demanded better product qualities and supply capacities, but also attached importance to the ability of providing integrated solutions by the condiment suppliers. The current situation of low concentration ratio in China's condiment market has attracted capital investment and intensified the competition in the condiment industry, in which the big industry players will become even stronger. In addition to the advantages in their respective market segments, condiment enterprises also begin to develop product mix to cover all categories of product. The competition in the condiment industry will become more intense.

RESULTS

For the twelve months ended 31 December 2019 ("the Current Reporting Period"), the Group's sales revenue reached approximately RMB4,241 million; the gross profit margin was approximately 64.7%; operating profit reached approximately RMB1,729 million, operating profit margin was approximately 40.8%. The profit attributable to the equity holders of the Company amounted to approximately RMB1,112 million; and the basic earnings per share was RMB35.78 cents.

SPECIAL NOTE

The Group's subsidiaries incorporated in the People's Republic of China (the "PRC") are statutorily required to prepare their accounts with the financial year end date of 31 December. On 11 December 2018, the Board resolved to change the financial year end date of the Company from 31 March to 31 December to align the Company's financial year end date with that of the Group's PRC subsidiaries and to facilitate the preparation of the consolidated financial statements of the Group. The financial statements for the current financial period covered the twelve-month period from 1 January to 31 December 2019 ("the Current Reporting Period") with the comparative figures covered the nine-month period from 1 April to 31 December 2018 ("April 2018 to December 2018"). In order to let our shareholders and other stakeholders better understand the Group's operating results, the Group also presents the unaudited financial results for the twelve-month period from 1 January 2018 to 31 December 2018 ("the Corresponding Period Last Year") on a voluntary basis for year-on-year comparison.

The results for the Current Reporting Period (Audited) and the Corresponding Period Last Year (Unaudited) are summarized below:

	For the twelve months ended 31 December	
	2019	2018
	(Audited)	(Unaudited)
	RMB'000	*RMB'000*
Continuing operations		
Revenue	**4,241,040**	3,981,536
Gross profit	**2,745,410**	2,590,939
Gross profit ratio	***64.7%***	*65.1%*
Other income and other gains – net	**225,509**	180,464
Selling and marketing expenses	**(358,305)**	(264,169)
Administrative expenses	**(867,398)**	(760,668)
Net impairment losses on financial assets	**(16,405)**	(1,616)
Operating profit	**1,728,811**	1,744,950
Finance (costs)/income – net	**(12,028)**	112,892
Share of results of associates and a jointly controlled entity	**29,034**	14,272
Profit before income tax	**1,745,817**	1,872,114
Income tax expense	**(372,076)**	(430,529)
Profit from continuing operations for the year/period	**1,373,741**	1,441,585

	Segment Revenue For the twelve months ended 31 December		Segment Result For the twelve months ended 31 December	
	2019	2018	**2019**	2018
	(Audited)	(unaudited)	**(Audited)**	(unaudited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Continuing operations:				
Flavours & Fragrances	**2,163,927**	2,149,369	**1,287,737**	1,229,883
Tobacco Raw Materials	**754,424**	954,528	**311,052**	455,784
Aroma Raw Materials	**620,409**	706,469	**82,124**	117,649
Condiments	**700,386**	170,979	**144,816**	23,451
Others	**1,894**	191	**(96,918)**	(81,817)
	4,241,040	3,981,536	**1,728,811**	1,744,950

BUSINESS REVIEW

Review of flavours and fragrances business

During the Current Reporting Period, sales revenue of the flavours and fragrances business of the Group amounted to approximately RMB2,164 million, accounting for approximately 51.0% of the Group's total revenue. Operating profit of the business segment amounted to approximately RMB1,288 million, EBIT margin was approximately 59.5%. In comparison to the Corresponding Period Last Year, revenue of the flavours and fragrances business for the Current Reporting Period increased by 0.7% year-on-year, operating profit increased by 4.7% year-on-year, and EBIT margin recorded an increase of 2.3 percentage points year-on-year. The revenue of the business segment was stable, with increases in profit margins mainly attributable to the reasonable cost management and control by the Group as well as increased government grants.

(1) Flavours

In 2019, the sales volume, selling price and market share of the Group's tobacco flavours business remained stable, which were in line with the stable development situation in China's cigarette market. The business team and research and development ("R&D") team of tobacco flavours provided customised and stable products to customers based on their different products and brands, and assisted in helping to make customers' products more tasty. In terms of food flavours, the Group adjusted its product mix according to the growing trend in the food and beverage market with an emphasis on the concepts and the functions of products, which were being developed toward a natural, healthy and functional direction. At the same time, the Group increased investments in the R&D and sales team to enhance product and service quality to meet customers' demands.

(2) Fragrances

Xiamen Amber Daily Chemical Technology Co., Ltd. (Xiamen Amber) has continuously maintained a leading market share in the areas of incenses and household disinfection and insecticide. During the Current Reporting Period, Xiamen Amber successfully expanded its sales regions by exporting products to Africa region. In addition, the Group also increased its efforts in R&D and market surveys in the areas of personal care and cosmetics fragrances, aiming to tap into the demand of domestic small and medium enterprises.

Investment Progress of the Proceeds Raised by the Flavours and Fragrances Segment

As at 31 December 2019, the cumulative amount of the funds raised from the initial public offering of Huabao Flavours and Fragrances Limited (“Huabao Flavours”) in 2018 and dedicated for the “Huabao Yingtan Flavours and Ingredients production base project” (“Huabao Yingtan Project”) was approximately RMB97.8449 million, representing an investment progress of approximately 9.46%; the cumulative amount of IPO Proceeds and dedicated for the “Lhasa Pure Land Healthy Food project” (“Lhasa Project”) was approximately RMB17.7184 million, representing an investment progress of approximately 3.77%; the cumulative amount of IPO Proceeds and dedicated for the “Huabao H&K Food Flavours and Food Technology Development project” (“Huabao H&K Project”) was approximately RMB169,700, representing an investment progress of approximately 0.11%. As of 31 December 2019, the balance of unused proceeds (including accumulated interest income received) amounted to approximately RMB1,640 million.

The construction progress of the Huabao Yingtan Project was not as expected because of the excessive rainfalls during the initial stage of the project. Meanwhile, Huabao Flavours adopted an optimised approach of gradual investment with an aim to adapt to changes in market demands and control project investment risks. Currently, the construction work for Huabao Yingtan Project Phase I has been completed, and the tender for the design of the construction work of Phase II has been completed. Huabao Flavours is currently implementing specific optimisation designs for the subsequent construction work. The progress of the initial stage of the Lhasa project was slow because of the high-altitude climate in Tibet and that the time available for construction work was short. At the same time, there were factors such as market and raw materials, as well as Huabao Flavours’ controlled investments, resulting in slowdown of project constructions. As the initial construction progress of the Huabao Yingtan project was not satisfactory, Shanghai H&K Flavors & Fragrances Co., Ltd. was only able to complete the corresponding production transition in February 2019, resulting in the delay of the commencement of the project; In 2019, Huabao Flavours further optimised its design on the specific implementation of the Huabao H&K Project. After a comprehensive consideration of the current industrial support provided by local governments and the development strategies of itself, Huabao Flavours intended to change the site for the implementation of the Huabao H&K Project. Huabao Flavours will speed up the implementation once the site is confirmed.

Review of the tobacco raw materials business

During the Current Reporting Period, sales revenue of the Group's tobacco raw materials business was approximately RMB754 million, accounting for approximately 17.8% of the Group's total revenue. The operating profit of the segment amounted to approximately RMB311 million, EBIT margin was approximately 41.2%. In comparison to the Corresponding Period Last Year, the revenue of the tobacco raw materials business for the Current Reporting Period decreased by 21.0%, operating profit of the segment recorded a decrease of 31.8%, EBIT margin decreased by 6.5 percentage points. The decrease in sales revenue and the decrease in EBIT margin were mainly attributable to the decrease in market demand and the intense competition in the industry, which resulted in the decrease in sales volume and selling prices of the products.

(1) Reconstituted tobacco leaves ("RTL")

In 2019, the production and sales volume of cigarette industry remained stable, but there was overcapacity in the RTL industry, which led to the drop in decreased sales volume for the Group's RTL. During the Current Reporting Period, sales volume and sales amount of RTL achieved significant growth in the overseas markets, which also optimised and broadened the income sources of the Group's RTL business.

In 2019, licenses for sale of heat-not-burn ("HNB") tobacco products were granted by more regulatory authorities in overseas, which provided the opportunity and momentum for the development in HNB tobacco related materials. During the Current Reporting Period, the Group built up a professional team to develop products and analyze the market, with an aim to seizing commercial chances related to HNB tobacco products in the future.

(2) Tobacco new materials

Flavour capsule cigarettes was popular in the market. New competitors continued to enter the market, resulting in a rapid growth in the supply of flavour capsule, which exceeded the growth of market demand and led to declined prices. Although the flavour capsule cigarettes industry has developed considerable market size and demand, the increased competition in the industry has put pressure on the profitability of market participants. During the Current Reporting Period, the Group demonstrated its flexibility in adjusting the price to consolidate its market share.

Review of aroma raw materials business

During the Current Reporting Period, the Group's aroma raw materials business recorded a sales revenue of RMB620 million, accounting for approximately 14.6% of the Group's total revenue, the operating profit reached approximately RMB82.12 million, EBIT margin was approximately 13.2%. In comparison to the Corresponding Period Last Year, the revenue of the aroma raw materials business for the Current Reporting Period decreased by 12.2%, operating profit decreased by30.2%, EBIT margin decreased by 3.5 percentage points. The decrease in sales revenue of the segment was mainly attributable to the overcapacity in the maltol industry, increase in industrial competition and the maintenance work on the factories of Yancheng City Chunzhu Aroma Co., Ltd ("Yancheng Chunzhu").

In 2019, as affected by the escalation of the Sino-US trade war and global economic growth slowdown, demand for aroma raw materials declined in both overseas and domestic markets. To maintain market share, some companies in the industry were engaged in price competition, putting pressure on the prices of the industry's products. In addition, government authorities had commenced rectification work on the chemical industry, which required chemical enterprises to allocate more resources to environmental protection and safety facilities and services, resulting in certain impact on the profitability of chemical enterprises. However, from a long-term perspective, government regulations can be conducive to regulate the production and operation of chemical enterprises and thus can provide a more promising development prospect for the chemical enterprises in the future.

During the Current Reporting Period, the Jiangxi Xianghai Biological Technology Co., Ltd. ("Jiangxi Xianghai") Phase I Project was completed and put into production. Land development and equipment installation of Phase II Project and the land development work in Phase III Project were near completion. Jiangxi Xianghai produces various types of products with high standard of craftsmanship. It is expected to contribute more revenue and profit to the segment of aroma raw materials.

The price of maltol declined due to overcapacity and fierce competition in the industry. Zhaoqing Perfumery Co., Ltd. adopted the sales strategy of "Big Customers, Big Brands" to strengthen the partnership with big clients to maintain market share and pricing power.

While Yongzhou Shanxiang Flavour Co., Ltd. ("Yongzhou Shanxiang") continued to cooperate with world-renowned flavours and fragrances companies, it was also engaged in the development and production of other products such as benzaldehyde. During the Current Reporting Period, Yongzhou Shanxiang has optimised its production lines for the production of benzaldehyde and provides quality products and services to customers with improved efficiency.

Chemical enterprises in Jiangsu Province have all re-evaluated their own environmental protection and safe production capability due to a chemical accident occurred in Jiangsu Province took place in March 2019. As a leading manufacturer in the market segment of aroma raw materials, Yancheng Chunzhu has allocated resources for the re-inspection of the Company's production facilities and education of its employees on safety and environmental protection training, with an aim to achieve the company's sustainable development.

Review of condiment business

During the Current Reporting Period, the sales revenue of the Group's condiment business was approximately RMB700 million, accounting for approximately 16.5% of the Group's total revenue. Its operating profit reached approximately RMB145 million, EBIT margin was approximately 20.7%. The Group completed the acquisition of Jiahao Foodstuff Limited and its subsidiaries ("Jiahao") on 4 September 2018. Therefore, the financial figures stated here of the Corresponding Period Last year only covers the period from the date of completion of the acquisition to 31 December 2018. In comparison to the Corresponding Period Last Year, the operating profit margin of the condiment business for the Current Reporting Period increased approximately 7.0 percentage points. The increase in the operating profit margin of the segment was mainly attributable to the Groups' enriched product mix, expansion in distribution channels and optimization in marketing strategies.

In terms of product mix, the Group strengthened the market position of the core products. At the same time, the Group upgraded the core products by dividing them into sub segments. The Group launched two types of chicken bouillon including "Rich Flavoured" chicken bouillon and "Fragrant" chicken bouillon to satisfy different needs of chefs in the catering industry. The Group launched the "Light Salted Chicken Powder" with the "Low Sodium, Full Flavour" feature in the south China market according to its marketing strategy, while "Rich Flavoured Chicken Powder" was promoted to the northern market to suit the taste of the local consumers. Sichuan cuisine has become widely accepted and popular in China. The Group launched the "Chilli Liquid Seasoning" and swiftly gained market share with its exquisite quality and reasonable price.

In terms of distribution channels, the Group has set up flagship stores on Taobao Tmall to boost online sales. In terms of offline sales, the Group's sales team has covered seven large sales regions in China to work closely with distributors to develop business. In addition, the Group also took advantage of the online and offline distribution channels of Yingtan Weizhijia Food Co. Ltd. to increase the sales revenue of Jiahao.

In terms of marketing strategy, the Group positioned Jiahao Foodstuff as the "Chinese tastes expert" to strengthen its professional brand image. The Group also invited master chefs and other chefs to compete with each other in their culinary skills in the hope of enhancing the awareness, recognition, and influence among professional chefs. The Group aims to leverage these marketing strategies to turn the chefs into users and thereby increasing sales.

Review of R&D

During the Current Reporting Period, the Group's investment in R&D was approximately RMB291 million. R&D expense accounts for approximately 6.9% of sales revenue, which was 0.4 percentage point higher than the 6.5% for April 2018 to December 2018.

Human Resources and Corporate Culture Construction

As at 31 December 2019, the Group employed 3,544 employees in mainland China, Hong Kong, Germany, Botswana, the US and Korea. During the Current Reporting Period, the labour costs (including pension and mandatory provident fund, pension insurance, etc.) amounted to approximately RMB604 million.

In 2019, following the Group's strategy "Concentric Diversification", the Group has systematically promoted the management work of human resources. The Group is committed to the value of growing together with its employees, providing a development platform for the employees with ability and integrity, sincerity and passion to fully develop their talents. During the Current Reporting Period, the Group vigorously introduced professional talents with management and industrial experience in the Fast Moving Consumer Goods industry, aiming to enhance the operation and management of Jiahao and strengthen the breadth and depth of Jiahao's business expansion. The Group also actively introduced talented personnel with overseas education and working background to study overseas business model and to facilitate the development of the Group's international development strategy.

Outlook

In the area of flavours and fragrances, the Group will continue to expedite the construction of investment projects and improve the Group's competitive edge in the area of food flavours. The Group will take advantage of the economic downturn to identify M&A targets that are of high quality, low prices, and potential synergies to expand the scale of the flavours and fragrances business. For tobacco raw materials, the Group will consolidate the leading position of the RTL segment in R&D and technology in China, continue to boost the sales volume in overseas market, and rigorously carry out conduct R&D projects and analysis of innovative tobacco related materials. For aroma raw materials, the Group will comply with the government and regulatory departments' requirements, strengthen the training in safe production and achieve sustainable development, as well as to focus on big customer relationship, improve our pricing power and profitability. As for condiments, the Group will further promote new products and strengthen distribution channel penetration. Through offline interaction with the chefs, Jiahao's brand image of "Chinese tastes expert" would be delivered to customers to enhance Jiahao's brand recognition among them.

In the year ahead, phase I of the trade deal has been made between China and the United States. However, the uncertainty of the trade relationship between China and the United States brings economic growth slowdown risk to China. In addition, the spread of the Novel Coronavirus Pneumonia ("COVID-19 Pneumonia") has further weakened market demand and lead many industries' development to slow down and even decrease, of which the catering industry was hit the most. In the short term, the Group's condiment business will face challenges due to the sluggish catering industry, but the management will monitor market, assess impact, and devise strategies to tackle these challenges ahead. In the long term, the size, demand, and growth potential of Chinese catering industry remain robust, the management of the Group remain confident in the development prospect of Chinese catering and condiment industry. The management believes that, with clear operation strategies of each business segment, the Group will be able to maintain stable growth and development. The Group will be committed to its "Concentric Diversification" strategy, closely monitor the impact of COVID-19 Pneumonia on operation environment, market demand, and clients, flexibly adjust its sales strategies, and optimize resources allocation to rise to the challenges and create value for shareholders and society.

FINANCIAL REVIEW

Analysis of annual results for the year ended 31 December 2019

Sales revenue

The Group's sales revenue amounted to RMB4,241,040,000 for the year ended 31 December 2019 (for the nine months ended 31 December 2018 from continuing operations: RMB3,058,707,000), of which sales revenue from flavours and fragrances reached RMB2,163,927,000, contributing approximately 51.0% of total sales revenue; sales revenue from tobacco raw materials reached RMB754,424,000, contributing approximately 17.8% of total sales revenue; sales revenue from aroma raw materials reached RMB620,409,000, contributing approximately 14.6% of total sales revenue; sales revenue from condiment reached RMB700,386,000, contributing approximately 16.5% of total sales revenue.

For the Current Reporting Period, sales revenue was increased by 6.5% as compared with RMB3,981,536,000 (unaudited) for the Corresponding Period Last Year from continuing operations. The increase in sales revenue is mainly attributable to the consolidation of twelve months' sales revenue of condiment business acquired last year in the Current Reporting Period, whereas the sales revenue of condiment business in the Corresponding Period Last Year only included the sales revenue from 4 September 2018 (date of completion of acquisition) to 31 December 2018. However, part of the increase was offset by the decrease in sales revenue of tobacco raw materials and aroma raw materials.

Cost of goods sold

The Group's cost of goods sold amounted to RMB1,495,630,000 for the year ended 31 December 2019. The Group's cost of goods sold amounted to RMB1,108,902,000 for the nine months ended 31 December 2018 from continuing operations.

Gross profit and gross profit margin

For the year ended 31 December 2019, gross profit of the Group amounted to RMB2,745,410,000 (for the nine months ended 31 December 2018 from continuing operations: RMB1,949,805,000). Gross profit margin was approximately 64.7%, representing an increase of 1.0 percentage point from 63.7% of the nine months ended 31 December 2018.

Gross profit of the Current Reporting Period was increased by 6.0% as compared with RMB2,590,939,000 (unaudited) for the Corresponding Period Last Year from continuing operations. The increase in gross profit is mainly attributable to the consolidation of twelve months' figures of condiment business in the Current Reporting Period, whereas only four months' figures was included in the Corresponding Period Last Year. However, part of the increase was offset by the decrease in gross profit of tobacco raw materials and aroma raw materials. Gross profit margin of the Current Reporting Period was slightly decreased by 0.4 percentage point from 65.1% (unaudited) of the Corresponding Period Last Year. It was mainly because sales revenue of products with relatively lower gross profit margin accounted for a higher proportion than that in the Corresponding Period Last Year.

Other income and other gains – net

Other income and other gains (net) of the Group was RMB225,509,000 for the year ended 31 December 2019, representing an increase of RMB45,045,000 as compared with RMB180,464,000 (unaudited) for the Corresponding Period Last Year from continuing operations. The increase in other income and other gains was mainly due to the increase in government grants for the Current Reporting Period.

Selling and marketing expenses

The selling and marketing expenses of the Group mainly comprised travelling expenses, transportation costs, advertising and promotion expenses, salaries and office expenses. The selling and marketing expenses of the Group for the year ended 31 December 2019 were RMB358,305,000 (for the nine months ended 31 December 2018 from continuing operations: RMB208,417,000). Selling and marketing expenses to total sales revenue of the Current Reporting Period amounted to approximately 8.4%, representing an increase of 1.6 percentage points as compared with 6.8% for the nine months ended 31 December 2018. The increase of such ratio was mainly attributable to the selling and marketing expenses to sales ratio of condiment business acquired last year was higher than that for the other businesses of the Group, which caused the Group's composite ratio increased.

Administrative expenses

The Group's administrative expenses amounted to RMB867,398,000 for the year ended 31 December 2019 (for the nine months ended 31 December 2018 from continuing operations: RMB574,345,000). Administrative expenses to total sales revenue for the Current Reporting Period amounted to approximately 20.5%, representing an increase of approximately 1.7 percentage points as compared with 18.8% for the nine months ended 31 December 2018. The increase of such ratio was mainly due to the amortisation expenses of intangible assets related to the acquisition of condiment business and higher employee benefit expenses of the Group.

Operating profit

Operating profit of the Group for the year ended 31 December 2019 was RMB1,728,811,000 (for the nine months ended 31 December 2018 from continuing operations: RMB1,287,750,000). The operating profit margin was decreased by 1.3 percentage points from approximately 42.1% for the nine months ended 31 December 2018 to approximately 40.8% of the Current Reporting Period.

Operating profit of the Current Reporting Period was decreased by RMB16,139,000, representing a decrease of approximately 0.9% as compared with RMB1,744,950,000 (unaudited) for the Corresponding Period Last Year from continuing operations, mainly due to the decrease in operating profit of tobacco raw materials and aroma raw materials.

Income tax expense

Income tax expense of the Group for the year ended 31 December 2019 was RMB372,076,000 (for the nine months ended 31 December 2018 from continuing operations: RMB320,805,000). Income tax rate for the Current Reporting Period was approximately 21.3%, which was slightly decreased by approximately 2.0 percentage points as compared with 23.3% for the nine months ended 31 December 2018. It was mainly attributable to the decrease in withholding income tax.

Profit attributable to the equity holders of the Company

Profit attributable to the equity holders of the Company was RMB1,112,004,000 for the year ended 31 December 2019, while profit attributable to the equity holders of the Company was RMB1,017,959,000 for the nine months ended 31 December 2018.

Net current asset value and financial resources

As at 31 December 2019, the net current asset value of the Group was RMB6,957,179,000 (31 December 2018: RMB7,734,866,000). The Group generates its working capital mainly through its operating activities to maintain a sound financial position. As at 31 December 2019, the Group's cash and bank balances amounted to RMB5,722,074,000 (31 December 2018: RMB7,142,391,000), over 80% of which was held in RMB. In addition, the Group held bank financial products of RMB726,191,000 (31 December 2018: RMB515,177,000) which was classified as financial assets at fair value through profit or loss.

Bank borrowings and debt ratio

As at 31 December 2019, the Group had bank borrowings of RMB2,998,776,000 (31 December 2018: RMB3,690,139,000), of which secured loan amounted to RMB2,310,474,000 (31 December 2018: RMB2,888,092,000) was due within four years, and the unsecured loans amounted to RMB688,302,000 (31 December 2018: RMB802,047,000) were due within one year. For the year ended 31 December 2019, the average annual interest rate of the secured loan was 5.70%, and the average annual interest rate of the unsecured loans was 3.63% (31 December 2018: 3.72%). As at 31 December 2019, the Group's gearing ratio (total debts, include current and non-current borrowings, divided by total equity (excludes non-controlling interests) was 25.4%, which was lower than the 31.4% as of 31 December 2018. It was mainly attributable to the repayment of approximately RMB578 million secured loan related to the acquisition of Jiahao during the Current Reporting Period.

Investing activities

The Group's investing activities included the purchase of property, plant and equipment, financial assets investment and merger & acquisition activities related to the strategical development strategies. For the year ended 31 December 2019, the net cash used in investing activities amounted to RMB1,072,514,000, mainly used for new placement of short-term time deposits, purchase of properties, plant and equipment and financial assets investment. For the nine months ended 31 December 2018, the net cash used in investing activities amounted to RMB5,375,678,000.

Financing activities

For the year ended 31 December 2019, the net cash used in financing activities amounted to RMB2,671,539,000, mainly comprised of cash dividends of approximately RMB1,279,486,000 paid to shareholders of the Company, cash dividends of RMB479,367,000 paid to non-controlling interests, repayment of bank loans of RMB1,461,703,000 and addition of bank loans of RMB756,607,000. For the nine months ended 31 December 2018, the net cash generated from financing activities amounted to RMB2,940,612,000.

Trade receivables turnover period

Trade receivable turnover period is calculated on the basis of the average amount of trade receivables as at the beginning and end of a relevant financial year divided by the total sales revenue for the corresponding period and multiplied by 360 days (nine months ended 31 December 2018: 270 days). The Group generally offers its customers a credit period of approximately 0-180 days, depending on the business volume of, and the length of business relationship with the customers. For the year ended 31 December 2019, the Group's average trade receivables turnover period was 88 days, decreased by 10 days as compared with 98 days for the nine months ended 31 December 2018. It was mainly attributable to the very low balance of trade receivables of condiment business acquired last year which cause the Group's average figures decreased.

Trade payables turnover period

Trade payable turnover period is calculated on the basis of the average amount of trade payables as at the beginning and at the end of a relevant financial year divided by the cost of goods sold for the corresponding period and multiplied by 360 days (nine months ended 31 December 2018: 270 days). Credit periods granted by suppliers to the Group ranged from 0-180 days. For the year ended 31 December 2019, the Group's average trade payables turnover period was 77 days, remaining stable as compared with 78 days for the nine months ended 31 December 2018.

Inventory and inventory turnover period

As at 31 December 2019, the Group's inventory balance amounted to RMB931,385,000 (31 December 2018: RMB896,243,000). For the year ended 31 December 2019, the inventory turnover period (calculated on the basis of the average amount of inventory balances as at the beginning and end of a relevant financial year divided by the total cost of goods sold for the corresponding period and multiplied by 360 days (nine months ended 31 December 2018: 270 days) was 220 days, increased by 21 days as compared with 199 days for the nine months ended 31 December 2018. The increase in inventory balance was mainly due to the flavours and fragrances segment increased its inventory balance in response to the fluctuation in raw materials market price.

Foreign exchange and exchange rate risk

The principal businesses of the Group are located in Mainland China and the majority of the sales revenue is denominated in RMB, with the exception of only a certain amount of imported raw materials and equipment which are denominated in foreign currency such as USD or EUR. The Group's bank deposits are mainly denominated in HKD, USD and RMB. Management concurs the views of the People's Bank of China on the RMB exchange rate, that is, the RMB exchange rate has the capability to continuously remain basically stable within a reasonable range of equilibrium.

Pledge of assets

As at 31 December 2019, the Group's equity interest in Jiahao Foodstuff Limited and Guangdong Jiahao Foodstuff Co., Ltd, and its land and buildings in Zhongshan China were used as collateral for a bank loan of approximately RMB2.31 billion.

Capital Commitments

As at 31 December 2019, the Group had capital commitments in respect of the purchase of property, plant, equipment, financial assets at fair value through other comprehensive income, investment in associate, etc., contracted for but not provided in the financial statements amounting to approximately RMB265,106,000 (31 December 2018: RMB363,516,000), which was mainly investment in domestic and overseas funds amounted to RMB109,790,000.

Contingent liabilities

Based on the information available to the Board, the Group had no material contingent liabilities as at 31 December 2019.

Events after the reporting period

The COVID-19 Pneumonia broke out in the beginning of 2020 and the prevention and control measures to combat the disease have been continued to be implemented nationwide. So far, the Group has fully resumed to work and the state of production and operation is normal. As the COVID-19 Pneumonia continues, there is impact on the Group in a certain extent. The Group will continue to closely monitor the development of the COVID-19 Pneumonia outbreak and assess its impact on the financial position, and operational results of the Group. Given the dynamic nature of the outbreak, the Group is not yet able to quantify the impact as at the date on which this set of financial statements were authorised for issue.

CORPORATE GOVERNANCE

Compliance with the Corporate Governance Code

Throughout the reporting period, the Company had complied with the code provisions in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and, where appropriate, adopted the recommended best practice as set out in the code provisions, except for code provisions A.2.1 and A.4.1:

Code provision A.2.1 provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. CHU Lam Yiu, Chairlady of the Board and Executive Director of the Company, took up the position of Chief Executive Officer ("CEO") starting from 9 April 2013. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be affected.

Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. The Independent Non-executive Directors ("INEDs") of the Company were not appointed for a specific term as they are subject to retirement by rotation no later than the third annual general meeting of the Company since their last appointment or re-election and are eligible for re-election in accordance with the Company's bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those set out in the CG Code.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding dealing in the securities of the Company by the directors of the Company. Having made specific enquiries of all directors, the Company has received their written confirmations that they have complied with the required standard as set out in the Model Code throughout the reporting period.

FINAL DIVIDEND

The Board proposes to declare a final dividend of HK10.0 cents per Share (nine months period ended 31 December 2018: final dividend of HK8.8 cents and special dividend of HK18.9 cents) in cash amounting to approximately HKD310.8 million (equivalents to approximately RMB278.4 million) (nine months period ended 31 December 2018: approximately RMB756.8 million in aggregate) for the year ended 31 December 2019, which are expected to be paid on or about 5 June 2020 to shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on 25 May 2020. The payment of the final dividend is subject to Shareholders' approval at the annual general meeting ("AGM") which is scheduled to be held on 18 May 2020.

CLOSE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

In order to determine the entitlement of Shareholders to attend and vote at the AGM of the Company which is scheduled to be held on 18 May 2020, the register of members of the Company will be closed from 13 May 2020 to 18 May 2020, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 12 May 2020. Shareholders whose names are recorded in the register of members of the Company on 18 May 2020 are entitled to attend and vote at the AGM.

CLOSE OF REGISTER OF MEMBERS FOR PAYMENT OF FINAL DIVIDEND

In order to determine Shareholders who qualify for the proposed final dividend, the register of members of the Company will be closed from 22 May 2020 to 25 May 2020, both days inclusive, during which no transfer of shares will be effected. All properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 21 May 2020. Shareholders whose names are recorded in the register of members of the Company on 25 May 2020 are entitled to receive the final dividend in cash for the year ended 31 December 2019.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and their respective close associates (as defined in the Listing Rules) is considered to have an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

AUDIT COMMITTEE

The Board has formed an Audit Committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee members currently comprises all of the INEDs of the Company, namely, Mr. LEE Luk Shiu, Ms. MA Yunyan, Mr. WU Chi Keung and Mr. Jonathan Jun YAN.

REVIEW OF FINAL RESULTS

The Audit Committee of the Company has reviewed the Group's audited final results for the year ended 31 December 2019.

The figures in respect of consolidated statement of the financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and related notes of the announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, PricewaterhouseCoopers, that they were consistent with the amounts set out in the Group's audited consolidated financial statements for the year. 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 nor Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the website of HKExnews (www.hkexnews.hk) as well as the website of the Company (www.huabao.com.hk). The Company's 2019 annual report will be dispatched to Shareholders and will be published on the aforementioned websites in due course.

By Order of the Board
Huabao International Holdings Limited
CHU Lam Yiu
Chairlady and CEO

Hong Kong, 27 March 2020

As at the date of this announcement, the Board comprises four executive directors, namely Ms. CHU Lam Yiu (Chairlady and CEO), Messrs. XIA Liqun, POON Chiu Kwok and LAM Ka Yu, and four independent non-executive directors, namely Mr. LEE Luk Shiu, Ms. MA Yunyan, Mr. WU Chi Keung and Mr. Jonathan Jun YAN.