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 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2019	2018
		(Restated)
	RMB'000	*RMB'000*
Revenue	**998,250**	470,181
Gross profit	**590,338**	270,248
Gross profit margin	**59.1%**	57.5%
Operating profit of Controlling Brands *(Note 1)*	**32,923**	19,598
Interest on convertible bonds	**(35,920)**	(4,125)
Interest expenses arising from applying HKFRS 16 "Leases" with effect on 1 January 2019	**(18,701)**	—
Impairment losses on investment in an associate	**(14,971)**	—
Share-based compensation expenses	**(8,181)**	—
Loss for the year from continuing operations	**(86,270)**	(9,822)
Adjusted loss for the year from continuing operations *(Note 2)*	**(8,497)**	(5,697)
Loss per share for loss from continuing operations attributable to equity holders of the Company		
Loss per share (RMB cents) — basic and diluted	**(5.56)**	(0.83)

Note 1: Including "Xinladao" and "HHG"

Note 2: The adjusted loss for the year from continuing operations excludes interest on convertible bonds, interest expenses arising from applying HKFRS 16 "Leases" with effect on 1 January 2019, impairment losses on investment in an associate and share-based compensation expenses.

INDUSTRY OVERVIEW

According to the National Bureau of Statistics of China, the total domestic revenue of the food and beverage industry amounted to approximately RMB4.67 trillion in 2019, with a growth of 9.4% as compared to 2018. The growth rate of the aggregate retail sales of social consumer goods was 8.0%. The Group is of the view that there is no change in the factors driving the long-term growth of the food and beverage industry, including, among others, (i) the increase in disposable income, including the income available for food consumption, due to economic growth; and (ii) the continuous urbanization process which has brought further population to towns and stimulated consumption in food and beverage and intensified market competition. The major opportunities and challenges encountered by every food and beverage enterprise are how to reform rapidly in order to capture new purchasing power and adapt to consumer habits in the mobile internet era.

BUSINESS STRATEGIES AND IMPLEMENTATION OF THE GROUP

2019 was a turning point for the Group's implementation of the "dual-wheel driven" strategy. The company shifted its focus from investment layout to both investment and operation management. An investment layout has formed with a combination of controlling brands including "HHG", a fast food chain featuring rice meals, and "Xinladao Fish Hotpot" and joint-stock brands from food and beverage category. In terms of operation management, a management and control system for sharing and collaboration between the Group's headquarter and every brand has been initially established.

Investment layout

In 2016, the Group acquired the controlling interest of HHG, a leading fast food chain in Beijing featuring rice meals, and acquired a non-controlling interest in Yujian Xiaomian, a prominent emerging brand, and West Master, a leading Chinese fast food brand in Beijing. In addition, the Group entered into an investment contract with Sexy Salad, a rapidly emerging and prominent brand of salad within the food and beverage industry in China in March 2017; with Yuepin in March 2017, iconic brands of Vietnamese cuisine, Muine and Pho Nam; with Clay Pot King in April 2017, a typical brand of Canton soup rice; with Dafulan in May 2017, a prominent emerging brand featuring Hunan rice noodle and traditional snacks; with Seesaw Coffee in May 2017, a typical premium coffee brand; and further with Foook in October 2017, a representative brand of spicy hot pot. The Group has completed investments in all of these brands stated above. In June 2018, the Group entered into an investment contract with "Xinladao", a leading brand of fish hot pot in China, and has obtained control over "Xinladao" at the end of November 2018. 2019 was its full year of operation within the Group, achieving the interim goal on the establishment of multi-category brand portfolio of the Group. In June 2019, the Group has invested in Beijing Dingding Technology Co., Ltd.* (北京頂頂科技有限公司) ("Dingding"), a SaaS provider that provides "digitalized customer management" for food and beverage brands. On 27 December 2019, the Group completed the disposal of the handbags business in order to devote all of its resources to the food and beverage segment and continued to explore the food and beverage industry.

Operation management

The strategic direction of the Group's operation management was to become a new food and beverage group operated through digitalized omni-channel. By focusing on product and brand innovation, applying mobile internet technology, and promoting integrated online and offline operations of brands, the Group has achieved a business model of channels diversification and consumer experiences enrichment. Guided by the goal, the Group insisted on establishing a shared collaborative system, such as digitalization system, franchise expansion, supply chain collaboration, talent training at Best Food University, in order to enhance efficiency and reduce cost.

Digitalization System: The work priorities of 2019 was to facilitate the digitalization system upgrade of controlling brands, while dedicating its efforts on improving customer experience and internal management efficiency, and facilitating significant upgrade in cashier system, invoicing system and user management system of HHG and Xinlaodao. "Dingding" Technology was helping the Group to speed up the implementation and integration of membership system.

Franchise Expansion: The direct operation system of the brands under the Group was relatively well-developed at the current stage. Franchise collaboration has become the key strategy of business development. The Group has set up a franchise business segment to coordinate the franchising and cooperation of various brands, and sought and approached partners which had resources for franchising channel expansion and were experienced in managing a franchising system. Meanwhile, it selected suitable brands and subsequently proceeded with collaboration and cooperation, thus providing robust support for the franchise investment team of its brands.

Supply Chain Collaboration: The Group will lower the total procurement costs by expanding centralized tenders for procurement and sharing facilities. HHG, a brand of the Group, increased its investment in production plants and warehouses, and operated fresh and semi-finished cooked food processing centers in the suburbs of Beijing and Tianjin in 2019. In addition to meeting the processing demands from the semi-finished and finished products of the controlling brands with sufficient production capacity, the Group's central factory has provided processing services to the joint-stock brands and successfully acquired third-party customers in the regions, which marked a good start for "omni-channel" sales.

Talent training system: Best Food University recruited experienced experts from the food and beverage industry as well as professionals with online and offline teaching experience, aiming to build a sustainable talent training system for the Group. At the same time, the online platform of Best Food University has completed preliminary product development, and gradually acquired third-party corporate customers and increased the sales of online courses.

Operating results

In 2019, the total system sales, constituting sales of all restaurants, both owned and franchised by food and beverage business under all brands amounted to RMB1,913.9 million, representing an increase of 6.1% as compared to 2018. The revenue presented under consolidated statement of comprehensive income was RMB998.3 million, representing an increase of 112.3% as compared to RMB470.2 million in 2018. The gross profit amounted to RMB590.3 million, as compared with RMB270.2 million for the corresponding period in 2018, which was due to the overall increase in gross profit margin resulting from the new acquisition of "Xinladao" which had a higher gross profit margin. The operating profit of "HHG" and "Xinladao" was RMB46.9 million, without taking into account the effects of non-recurring factors such as impairment losses on assets and store suspended loss of RMB14.0 million, representing an increase of 90.9% over 2018. It also recorded net management expense of the Group's headquarter of RMB17.4 million in 2019, increased by RMB1.5 million as compared to 2018. Excluding the impact of addition expenses arising from incentive plan of RMB8.2 million, the Group's operating profit in 2019 amounted to RMB15.5 million, as compared with that of RMB3.5 million for the corresponding period in 2018.

In 2019, the Group's finance expenses, net was RMB60.4 million, including, among others:

(i) the interest expense of RMB18.7 million arising from the application of HKFRS 16 "Leases" which became effective on 1 January 2019; and

(ii) the interest expense of the convertible bonds issued on 23 November 2018 of approximately RMB35.9 million during the year, as compared with RMB4.1 million in 2018.

In addition, the Group recorded other special items as follows:

(i) the loss from joint-stock brands amounted to RMB11.2 million, as compared to RMB4.4 million in 2018. The impairment loss on investment in an associate was RMB15.0 million, and there was no such impairment loss in 2018; and

(ii) the Company disposed of the entire issued share capital of Lee & Man Development Company Limited ("**Lee & Man**") and recorded loss for the year from discontinued operations of RMB35.1 million, which has taken into account, among other things, (a) profit for the year from discontinued operation of RMB12.5 million; (b) loss on disposal of equity interest in discontinued operations before reclassification of foreign currency translation reserve, net of income tax of RMB40.0 million; and (c) loss of RMB7.6 million arising on the reclassification of foreign currency translation reserve on discontinued operations to profit or loss upon disposal.

Based on the above, the Group recorded loss for the year of RMB121.4 million in 2019, representing an increase of approximately RMB112.5 million from a loss of RMB8.9 million for the corresponding period in 2018. The loss for the period was mainly due to the above special items. The Company considered that the above special items were not the indicators for the annual operating performance of the Company's business. The Company also considered that the interest expenses incurred by the issuance of convertible bonds and the loss on joint-stock brands might or would continue to have an impact on the future financial performance of the Group.

As a result of the sudden outbreak of coronavirus disease (COVID-19) (the "COVID-19 Pandemic") in 2020, a number of provinces and municipalities in China have activated level I — the highest-level response to major public health emergencies and adopted various strict measures to curb the spread of the COVID-19 Pandemic. In accordance with the prevention measures of the government at all levels, the Group has temporarily suspended the operation of some of its controlled and invested restaurants (including both self-operated and franchised restaurants) in stages since 26 January 2020. In addition to the gradual resumption of work due to the abatement of the COVID-19 Pandemic, the Group also actively promoted contactless food delivery and takeaway through its online platform, provided group-selling business, and put great efforts in boosting sales. Meanwhile, a series of cost reduction measures were adopted to mitigate the impact of COVID-19 Pandemic, including negotiating with the landlords for discount and arranging flexible staffing to lower the labor cost. While the Group expects that the impact of COVID-19 Pandemic on the operation will be short-term and temporary, in the long run, the Group remains confident in the economic growth and prospects of China's food and beverage industry. In addition to putting emphasis on existing businesses and improving profitability, we will also prudently allocate resources on new business or asset acquisition opportunities.

Business Progress of Controlling Brands

HHG

In 2019, HHG strongly promoted the strategy of "Activating Organization, Streamlining Varieties, Increasing Categories, Optimizing Quality; Capacity Upgrade, Value Realization; Customer Satisfaction Employee Pride". Focusing on product elevation and customer experience, HHG has gained huge progress in extending business hours, adjusting product mix and boosting sales through multiple channels. The same store sales has significantly increased by 25.6%. In 2019, the system sales of HHG increased by RMB99.4 million as compared to 2018. Gross profit also recorded an increase of RMB23.8 million. HHG strengthened its online marketing investment and the significant increase in the price of raw materials such as pork has led to a decline in gross profit margin. Excluding the impact of impairment losses on assets and store suspended loss, the operating profit of HHG amounted to RMB23.4 million, increased by RMB14.0 million as compared to 2018. In 2019, the operating profit amounted to RMB16.3 million (2018: RMB11.1 million), the interest expense and income tax expense amounted to RMB12.5 million, mainly due to the expense of RMB10.8 million arising from the application of HKFRS 16 "Leases".

Store Network: As of 31 December 2019, HHG had 149 stores, 105 of which were direct stores. In 2019, there were 24 new franchisees, covering Beijing, Hebei, Shandong, Shanxi, Inner Mongolia and other regions.

Brand Upgrade: HHG appointed professional advisers to organize its overall branding strategy and formulate specific improvement measures for brand positioning, visual effect and product mix. In 2020, HHG will launch a new brand and store image with the experiences in 2019, and gradually upgrade its existing stores.

Digitalization Upgrade: During the year, HHG has comprehensively upgraded the cashier system and user management system, and flexibly conducted online and offline multi-dimensional marketing. Currently, customers can make their food order via mobile app and enjoy takeaway services in all stores, which improves the efficiency of ordering, effectively shortens the time for queuing during peak hours, and increases the number of orders. It also helps to bring the data of user consumption behavior online, laying a foundation for realizing targeted marketing based on the user data.

Product Development: In order to focus on products and services, HHG extended the service hours for breakfast and dinner. With a wider selection of food on the menu, such as Wonton, noodles and kebabs, store traffic was boosted. In 2019, HHG provided free side dishes and set up self-service counters in some stores to enhance the dining environment, which increased customer stickiness and satisfaction, and had positive effect on boosting sales. In 2020, HHG will further combine the characteristics of consumption environment in different service hours to speed up the rollout of new menu and formulate pricing strategies integrating the consumption characteristics and demands of online and offline operations.

Supply Chain: Relying on the centralized procurement center of the Group, the Company enjoyed a centralized procurement price across multiple brands, resulting in the reduction of costs in certain disposable goods and groceries. By constructing warehouses in the suburbs of Beijing and bringing together factories to establish a logistic system, we had spread our service capabilities across Northern China. In 2019, the central factories of HHG in Beijing and Tianjin have been actively sourcing third-party customers, such as HEYTEA and Wumart, in addition to meeting their own processing needs.

Xinladao

Xinladao was under brand upgrade and adjustment in 2019. Direct store adjustments were generally in place. In 2019, the system sales amounted to RMB483.6 million. Excluding the impact of impairment losses on assets and store suspended loss, the operating profit of Xinladao amounted to RMB23.5 million. In 2019, the operating profit amounted to RMB16.6 million, the interest expense and income tax expense amounted to RMB11.8 million, mainly due to the expense of RMB7.9 million arising from the application of HKFRS 16 "Leases".

Store Network: As of 31 December 2019, Xinladao had 93 stores. In 2019, there were 16 new franchisees, covering Zhejiang, Jiangsu, Shanxi, Hebei, Gansu, Inner Mongolia and other regions. In-depth discussion in relation to franchise business in other regions is also in progress.

Brand Upgrade: We have achieved better results since the experiment of new store layout at the end of 2018, and the revenue of single-store operating in new layout has improved significantly. In 2019, we have upgraded certain stores whose leases are expired with the new layout, and achieved an improvement in the profitability of those stores.

Corporate Structure: In respect of team management, we have further optimized our corporate structure. Positions were streamlined to cut down on redundant staff at the headquarters. In respect of store management team, the profitability of the newly opened stores was enhanced by reform of incentive distribution mechanism.

Supply Chain: Through systematically organizing market-based bidding for major raw materials and supplementary materials, raw material costs were reduced. A supply chain system was established for major raw material and condiment.

Franchise Expansion: In 2019, Xinlandao began to systematically develop its franchise business. With the help of the Group, Xinlandao achieved a breakthrough in franchise business in multiple regions. For example, on 13 January 2020, Xinlandao successfully opened its first franchise store in Hong Kong, which helped to explore overseas market.

Joint-Stock Brands

In 2019, the major joint-stock brands of the Group achieved growth of varying degrees with improvement in operation efficiency, the overall system sales of food and beverage business increased by 17.3% as compared to the corresponding period in 2018. The joint-stock brands were still under the investment and expansion stage, so they were yet to make profit contribution to the Group. With the constant expansion in store scale as well as further enhancement in brand promotion and operation capacity of each joint-stock brand, it is expected that the joint-stock brands will make significant contributions to the profit of the Group. The following is a summary of business data of the investees of the Group in 2019:

Yujian Xiaomian

For the twelve months period ended 31 December 2019, the system sales of Yujian Xiaomian amounted to RMB140.9 million, which increased by approximately 51.7% as compared to the corresponding period in 2018. In 2019, Yujian Xiaomian actively developed and improved the information system of both front-end stores and back office at the headquarters, which laid a solid foundation for the subsequent rapid development. It continued to explore and optimize store layout and product mix, developed different types of stores and extended business hours in order to improve efficiency under the age of fast iteration and upgrading. The operating network of Yujian Xiaomian continued to strengthen the single store layout with direct operation. Yujian Xiaomian saw franchise as the major expansion method, and as of 31 December 2019, Yujian Xiaomian had nearly 50 brand stores. Agreements were signed with partners for regional franchises in Xiamen and a joint-venture was established in Eastern China with an expansion plan of opening hundred stores within three years.

West Master

For the twelve months period ended 31 December 2019, the system sales of West Master amounted to RMB179.0 million, which increased by approximately 19.1% as compared to the corresponding period in 2018. In 2019, West Master tried to adopt the franchising business model and has formed a more mature franchise system with endless improvement and optimization, which laid a solid foundation for subsequent vigorous development of its franchise business. As of 2019, West Master entered into contracts with four franchisees with three franchise stores opened. The management cost has been significantly reduced by improving management efficiency. The management cost of headquarter decreased from 16.4% in 2018 to 10.0% in 2019, reflecting the high effectiveness of cost control. In 2019, West Master actively explored foreign markets and the possibility to open stores in Canada. In respect of supply chain, the management team put forward the concept of "Big Supply Chain", expanding the source of suppliers to the global market, which will substantially improve the quality of food ingredients and cost control.

Sexy Salad

Sexy Salad will further enhance its edges in user management. Through online brand crossover joint promotion campaigns, Sexy Salad has expanded its customer base, increased its traffic and enhanced its brand awareness. Sales performance in 2019 was partially affected by discount campaigns. Sexy Salad continued to launch various hot dishes to overcome the seasonal cold features of western-style cuisines, while enhancing the varieties of its salad menu. Meanwhile, Sexy Salad gradually developed its franchise business and entered into contracts with three franchise stores, covering Guangzhou and Qingyuan in Guangdong Province, as well as Xiamen. Sexy Salad continued to launch derivative products to expand its targeted customers. Meanwhile, it introduced retail products and made progress on meal replacement products under "Wonderlab", which became a new driver for business growth. It also obtained credit facilities from the market due to its favorable development momentum.

Yuepin

For the twelve months period ended 31 December 2019, the system sales of Yuepin amounted to RMB110.7 million. Excluding new stores, the growth in same store sales of comparable stores under "Pho Nam" and "Muine" was 20.3% and 9.6%, respectively. In 2019, customer satisfaction, employee satisfaction and corporate performance achieved significant improvement as a result of product elevation and upgrading, establishment and enhancement of membership system, and optimization of store assessment and incentive policy.

Dafulan

For the twelve months period ended 31 December 2019, the system sales of Dafulan amounted to RMB51.5 million, which increased by approximately 23.4% as compared to the corresponding period in 2018. In 2019, Dafulan focused on operation enhancement, and optimization and upgrading of products and brand image, while implementing a new store assessment and incentive policy, which led to a significant increase in satisfaction of both customers and employees, and operation efficiency. Dafulan has further developed its franchise business while enhancing its management. The two contracted franchise stores have been opened.

Clay Pot King

For the twelve months period ended 31 December 2019, the system sales of Clay Pot King amounted to RMB161.5 million. Clay Pot King began to explore its franchise business and six contracted stores were opened in 2019. While developing its business, Clay Pot King continued to organize and improve the franchise system. After a year of exploration, a franchise model designed for the brand has been formed to accelerate the development of franchise business. In 2019, Clay Pot King repackaged and repositioned its brand to provide better experience to customers. It also engaged external experts to redesign the store layout. The stores with new layout have commenced operation, and gained acclaim from customers in terms of image, packaging and taste. Clay Pot King expanded its product line by adding congee and side dish products in order to enhance revenue during dinner hours and further ensure the products were available at all time. Clay Pot King improved the cooking process of its signature dish, Canton soup rice, and invented specialized utensils for making Canton soup rice so as to present the traditional taste of rice crust.

Seesaw Coffee

For the twelve months period ended 31 December 2019, the system sales of Seesaw Coffee amounted to RMB74.6 million, which increased by approximately 29.8% as compared to the corresponding period in 2018. In addition to the original stores located at Shanghai, Seesaw Coffee further expanded its network in other cities and gradually opened three stores in Shenzhen and three stores in Beijing. Seesaw Coffee actively developed and improved the digital operation structure of both front-end stores and back office at the headquarters, whereas the order function of WeChat Mini Programs continuously iterated, which laid a solid foundation for the subsequent rapid development. At the same time, the Company's new retail products have achieved good progress.

Foook

For the twelve months period ended 31 December 2019, the system sales of Foook amounted to RMB83.0 million, which increased by approximately 17.9% as compared to the corresponding period in 2018. In 2019, Foook focused on operation enhancement and improved both customers and employees satisfaction by the "employee incentive program". At the same time, Foook optimized and upgraded its brand image and made a bold move in model innovation by introducing self-service stores with price ladders and presenting a wide variety of seafood dishes, which consolidated the brand barrier. Foook introduced a new brand and new image of "Foook's Choice" and received positive response from the market.

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 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**Year ended 31 December** **2019** *RMB'000*	2018 Restated *RMB'000*
Continuing operations			
Revenue	*3*	**998,250**	470,181
Cost of sales		**(407,912)**	(199,933)
Gross profit		**590,338**	270,248
Distribution and selling expenses		**(491,179)**	(226,811)
General and administrative expenses		**(109,581)**	(46,708)
Net impairment losses on financial assets		**(2,849)**	(277)
Other income	*4*	**19,622**	10,827
Other gains/(losses), net	*5*	**968**	(3,737)
Operating profit		**7,319**	3,542
Finance income		**258**	189
Finance expenses		**(24,754)**	(2,686)
Interest on convertible bonds		**(35,920)**	(4,125)
Finance expenses — net		**(60,416)**	(6,622)
Share of loss of associates		**(11,189)**	(4,394)
Impairment losses on investment in an associate		**(14,971)**	—
Loss before taxation		**(79,257)**	(7,474)
Income tax expense	*6*	**(7,013)**	(2,348)
Loss for the year from continuing operations		**(86,270)**	(9,822)

		Year ended 31 December	
	Note	**2019**	2018
			Restated
		RMB'000	*RMB'000*
Discontinued operations:			
Profit for the year	*13*	**12,514**	915
Loss on disposal of equity interest in discontinued operations before reclassification of foreign currency translation reserve, net of income tax	*13*	**(39,994)**	—
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	*13*	**(7,637)**	—
(Loss)/profit for the year from discontinued operations		**(35,117)**	915
Loss for the year		**(121,387)**	(8,907)
Loss for the year attributable to:			
Equity holders of the Company		**(121,634)**	(11,144)
Non-controlling interest		**247**	2,237
		(121,387)	(8,907)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit assets of discontinued operations		**—**	228
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(7,790)**	19,456
Exchange differences arising on translation of discontinued operations		**11,295**	(5,185)
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	*13*	**7,637**	—
Other comprehensive income for the year		**11,142**	14,499
Total comprehensive (loss)/income for the year		**(110,245)**	5,592

	Note	Year ended 31 December 2019	2018 Restated
		RMB'000	*RMB'000*
Total comprehensive (loss)/income for the year attributable to:			
— Equity holders of the Company		**(110,492)**	3,355
— Non-controlling interests		**247**	2,237
		(110,245)	5,592
Total comprehensive (loss)/income for the year attributable to equity holders of the Company			
— Continuing operations		**(94,307)**	7,397
— Discontinued operations		**(16,185)**	(4,042)
		(110,492)	3,355
Loss per share for loss from continuing operations attributable to equity holders of the Company:			
Loss per share (RMB cents) — basic	*8*	**(5.56)**	(0.83)
Loss per share (RMB cents) — diluted	*8*	**(5.56)**	(0.83)
Loss per share for loss attributable to equity holders of the Company:			
Loss per share (RMB cents) — basic	*8*	**(7.81)**	(0.76)
Loss per share (RMB cents) — diluted	*8*	**(7.81)**	(0.76)

CONSOLIDATED BALANCE SHEET
At 31 December 2019

		As at 31 December	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**151,830**	248,048
Prepaid lease payments		**—**	40,663
Right-of-use-assets		**372,944**	—
Investment properties		**—**	35,426
Investments in associates		**273,054**	292,975
Goodwill		**580,931**	583,931
Intangible assets		**507,468**	508,106
Deferred tax assets		**25,205**	31,388
Defined benefit assets		**—**	5,183
Trade and other receivables	*9*	**43,116**	43,379
Financial assets at fair value through other comprehensive income		**5,000**	2,000
Other non-current assets		**2,075**	4,745
		1,961,623	1,795,844
Current assets			
Inventories		**35,935**	94,202
Prepaid lease payments		**—**	531
Trade and other receivables	*9*	**29,338**	120,323
Other current assets		**59,392**	82,067
Tax recoverable		**—**	996
Financial assets at fair value through profit or loss		**62,792**	42,194
Cash and cash equivalents		**131,285**	302,277
		318,742	642,590
Total Assets		**2,280,365**	2,438,434

	Note	As at 31 December 2019 RMB'000	2018 RMB'000
Current liabilities			
Trade and other payables	*10*	**129,060**	366,412
Contract liabilities		**61,746**	79,261
Lease liabilities		**116,709**	—
Borrowings	*12*	**5,000**	5,000
Tax payable		**7,495**	5,206
Convertible bonds	*11*	**34,183**	19,800
		354,193	475,679
Non-current liabilities			
Payable in relation to put right of non-controlling interests		**99,024**	103,496
Convertible bonds	*11*	**448,380**	517,592
Lease liabilities		**263,580**	—
Deferred tax liabilities		**123,579**	124,868
Borrowings	*12*	**1,200**	229,742
Deferred government grants		**5,443**	3,761
		941,206	979,459
Total liabilities		**1,295,399**	1,455,138
Capital and reserves			
Share capital		**133,023**	122,949
Reserves		**766,427**	776,128
Equity attributable to equity holders of the Company		**899,450**	899,077
Non-controlling interests		**85,516**	84,219
Total equity		**984,966**	983,296
Total liabilities and equity		**2,280,365**	2,438,434

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 BASIS OF PREPARATION AND CHANGES IN 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.

2.1.1 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, payable in relation to put right of non-controlling interests and derivative financial instrument-measured at fair value, and
- Defined benefit pension plans asset — 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.

In December 2019, the Group completed the disposal of 100% equity interest in Lee & Man Development Company Limited ("**Lee & Man**", previously a 100% owned subsidiary of the Company) to South Land Development Company Limited ("**South Land**") (Note 13). The related revenue, expenses, and other operating results before the completion of disposal and net disposal loss are presented as a single amount in the statement of comprehensive income as "loss for the year from discontinued operations". Comparative figures for the year ended 31 December 2018 are also reclassified for consistent presentation purpose.

2.1.2 Going concern

As of 31 December 2019, the Group's current liabilities exceeded its current assets by RMB35,451,000. The liquidity of the Group is primarily depended on its ability to maintain adequate cash inflows from operations and sufficient financing to meet its financial obligations as and when they fall due. Considering the Group's ability to generate net cash inflows from its future operating activities and the loan agreements entered into with certain banks up to the date of approval of the financial statements, the directors of the Company believe that adequate funding is available to fulfill the Group's debt obligations and capital expenditure requirements during the 12 months period from 31 December 2019. Therefore, the financial statements have been prepared on the going concern basis.

2.1.3 New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

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

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 2.2. The other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.1.4 New standards and interpretations not yet adopted

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

Amendments to HKAS 1 and HKAS 8	*Definition of Material*(1)
Amendments to HKFRS 3	*Definition of a Business*(1)
HKFRS 17	*Insurance Contracts*(2)
Amendment to HKFRS 7 and HKFRS 9	*Interest Rate Benchmark Reform*(1)
Amendments to HKAS 1	*Classification of Liabilities as Current and Non-current*(3)

(1) Effective for the accounting period beginning on 1 January 2020.
(2) Effective for the accounting period beginning on 1 January 2021 (likely to be extended to 1 January 2022).
(3) Effective for the accounting period beginning on 1 January 2022.

2.2 Changes in accounting policy and disclosures

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

As indicated in Note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet 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. 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 weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

(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) 4 Determining whether an Arrangement contains a Lease.

(b) ***Measurement of lease liabilities***

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	464,304
Discounted using the lessee's incremental borrowing rate of at the date of initial application	390,798
Less: short-term leases recognised on a straight-line basis as expense	(21,570)
Lease liabilities recognised as at 1 January 2019	369,228
Of which are:	
Lease liabilities — current portion	95,621
Lease liabilities — non-current portion	273,607
	369,228

(c) ***Measurement of right-of-use assets***

The right-of use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) ***Adjustments recognised in the balance sheet on 1 January 2019***

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets — increase by RMB407,452,000
- other assets — current portion — decrease by RMB14,817,000
- lease liabilities — non-current portion — increase by RMB273,607,000
- lease liabilities — current portion — increase by RMB95,621,000
- other payables and accruals — decrease by RMB17,787,000
- prepaid lease prepayment — decrease by RMB41,194,000

3 REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year is as follows:

	Year ended 31 December	
	2019	2018
		Restated
	RMB'000	*RMB'000*
Continuing operations:		
Revenue from food and beverage business	**998,250**	470,181
Discontinued operations:		
Revenue from manufacturing and sales of handbags business	**444,751**	383,899

The Company's executive directors are the chief operating decision maker (the "**CODM**"). The CODM periodically reviews the Group's internal report, which focus on types of goods or services delivered or provided, in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

During the year ended 31 December 2018, the Group had two reportable segments namely, the food and beverage business and the manufacturing and sales of handbags business. During the year ended 31 December 2019, the Group disposed its 100% equity interest in Lee & Man, and upon completion, the Company has ceased to hold any interest in Lee & Man, each subsidiary of Lee & Man has ceased to be a subsidiary of the Company and the financial results of Lee & Man and its subsidiaries were no longer consolidated into the financial statements of the Company. The manufacturing and sales of handbags business was classified as discontinued operations for the year ended 31 December 2019 and it will not be a reportable segment of the Group in the future.

Segment revenues and results

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

	Continuing operations	**Discontinued operations**	**Total**
	Food and beverage business	**Manufacturing and sales of handbags business***	
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Total revenue	**998,250**	**444,751**	**1,443,001**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**998,250**	**444,751**	**1,443,001**
Segment gross profit	**590,338**	**119,562**	**709,900**
Segment operating profit	**7,319**	**15,594**	**22,913**
Distribution and selling expenses	**(491,179)**	**(19,477)**	**(510,656)**
General and administrative expenses	**(109,581)**	**(89,341)**	**(198,922)**

	Continuing operations Food and beverage business *RMB'000*	Discontinued operations Manufacturing and sales of handbags business* *RMB'000*	Total *RMB'000*
Other information:			
Significant non-cash expenses			
Depreciation and amortisation	**164,995**	**12,255**	**177,250**
As at 31 December 2019			
Total assets	**2,280,365**	**—**	**2,280,365**
Including:			
Investments in associates	**273,054**	**—**	**273,054**
Total liabilities	**1,295,399**	**—**	**1,295,399**
Year ended 31 December 2018 (Restated)			
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
Segment operating profit	3,542	4,388	7,930
Distribution and selling expenses	(226,811)	(16,320)	(243,131)
General and administrative expenses	(46,708)	(82,126)	(128,834)
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

* The manufacturing and sales of Handbags business has been classified as discontinued operations. As a result, the related revenue, expenses and income tax are presented as a single amount in the statement of comprehensive income under "profit for the year from discontinued operations".

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the years ended 31 December 2019 and 2018.

For continuing operations, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue during the years ended 31 December 2019 and 2018. For discontinued operations, revenue of approximately RMB191,935,000 (2018: RMB155,162,000) was derived from a single external customer of the manufacturing and sales of handbags segment for the year ended 31 December 2019.

A reconciliation of operating profit to loss before taxation is provided as follows:

	Year ended 31 December	
	2019	2018 Restated
	RMB'000	*RMB'000*
Operating profit from continuing operations	**7,319**	3,542
Finance income	**258**	189
Finance expenses	**(24,754)**	(2,686)
Interest on convertible bonds	**(35,920)**	(4,125)
Share of loss of associates	**(11,189)**	(4,394)
Impairment losses on investment in an associate	**(14,971)**	—
Loss before taxation	**(79,257)**	(7,474)
Operating profit from discontinued operations	**15,594**	4,388
Finance expenses	**(89)**	(149)
Profit before taxation	**15,505**	4,239

Geographical information

As at 31 December 2019, less than 10% of the Group's total non-current assets are located outside the PRC. As at 31 December 2018, the Group's non-current assets, other than financial instruments and deferred income tax assets, are located in the PRC, Thailand and Myanmar amounting to RMB1,639,259,000, RMB35,426,000 and RMB84,588,000 respectively.

During the years ended 31 December 2019 and 2018, all of the Group's revenue from continuing operations are derived from the PRC. The Group's revenue from external customers of discontinued operations by geographical location during the year is as follows:

	Revenue from external customers of discontinued operations Year ended 31 December	
	2019	2018
		Restated
	RMB'000	*RMB'000*
The USA	**165,692**	166,572
Canada	**93,437**	46,706
Italy	**39,828**	22,198
The PRC	**27,309**	24,332
Germany	**18,488**	23,767
Hong Kong	**11,640**	20,577
South American countries	**8,476**	6,976
The United Kingdom	**6,032**	4,089
The Netherlands	**4,112**	5,824
The Middle East and Africa	**516**	663
Other European countries	**35,645**	28,993
Other Asian countries	**33,576**	33,202
	444,751	383,899

4 OTHER INCOME

	Year ended 31 December	
	2019	2018
		Restated
	RMB'000	*RMB'000*
Franchise income	**7,640**	3,468
Government grants	**4,704**	1,736
Management service income *(a)*	**2,500**	2,500
Investment income on wealth management products *(b)*	**2,197**	883
Interest income on loans	**732**	348
Rental income	**345**	390
Others	**1,504**	1,502
	19,622	10,827

Notes:

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

(b) For the year ended 31 December 2019, investment income on wealth management products includes realised gains of RMB1,205,000 (2018: RMB883,000) and unrealised gains of RMB992,000 (2018: nil), both of which are recorded as "other income" in the consolidated statements of comprehensive income.

5 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2019	2018
		Restated
	RMB'000	*RMB'000*
Net exchange gain/(loss)	**913**	(1,916)
Gain on disposal of right-of-use assets	**1,340**	—
Loss on disposal of property, plant and equipment	**(1,266)**	(655)
Loss on fair value changes on derivative financial instrument	**—**	(1,029)
Others	**(19)**	(137)
	968	(3,737)

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
		Restated
	RMB'000	*RMB'000*
Current income tax		
Hong Kong profits tax	**1,345**	2,589
PRC enterprise income tax ("**EIT**")	**3,439**	1,464
	4,784	4,053
Deferred tax	**5,220**	1,619
	10,004	5,672
Income tax expense is attributable to:		
— Continuing operations	**7,013**	2,348
— Discontinued operations	**2,991**	3,324
	10,004	5,672

Cayman Islands

The Company is incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. (2018: 16.5%).

The PRC

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

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 had no taxable profits 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.

7 DIVIDENDS

The Board resolved not to declare any dividend for the year ended 31 December 2019 (2018: nil).

8 LOSS PER SHARE

	Year ended 31 December	
	2019	2018 Restated
	RMB cents	*RMB cents*
Basic loss per share (a)		
From continuing operations attributable to equity holders of the Company	**(5.56)**	(0.83)
From discontinued operations	**(2.25)**	0.07
Total basic loss per share attributable to equity holders of the Company	**(7.81)**	(0.76)
Diluted loss per share (b)		
From continuing operations attributable to equity holders of the Company	**(5.56)**	(0.83)
From discontinued operations	**(2.25)**	0.07
Total diluted loss per share attributable to equity holders of the Company	**(7.81)**	(0.76)

(a) Basic loss per share

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

	Year ended 31 December	
	2019	2018 Restated
(Loss)/profit attributable to equity holders of the Company used in calculating basic loss per share:		
From continuing operations (RMB'000)	**(86,517)**	(12,059)
From discontinued operations (RMB'000)	**(35,117)**	915
	(121,634)	(11,144)
Weighted average number of ordinary shares in issue (thousands)	**1,556,787**	1,460,593

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under convertible bonds, share option scheme and share award scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

9 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables *(a)*	**14,142**	88,857
Other receivables	**61,161**	75,122
Total trade and other receivables	**75,303**	163,979
Less: provision for impairment of trade receivables	**(226)**	(277)
provision for impairment of other receivables	**(2,623)**	—
Trade and other receivables — net	**72,454**	163,702
Less: Non-current portion	**(43,116)**	(43,379)
Trade and other receivables — current portion	**29,338**	120,323

(a) Trade receivables

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Related parties	**83**	15,247
Third parties	**14,059**	73,610
Subtotal	**14,142**	88,857
Less: provision for impairment	**(226)**	(277)
Trade receivables — net	**13,916**	88,580

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**13,856**	77,395
6 months to 1 year	**286**	11,462
	14,142	88,857

Movement for impairment

	During the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**277**	—
Impairment provision	**226**	277
Written off during the year as uncollectible	**(277)**	—
As at 31 December	**226**	277

10 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	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**50,915**	91,413
Other payables and accruals	**78,145**	274,999
	129,060	366,412

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 6 months	**50,658**	91,023
Over 6 months	**257**	390
	50,915	91,413

11 CONVERTIBLE BONDS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Convertible bonds	**34,183**	19,800
Non-current		
Convertible bonds	**448,380**	517,592

As at 31 December 2019, current portion of the Convertible Bonds amounted to HK$38,053,000 (equivalent to approximately RMB34,183,000), which represented interest payable commencing from the issue date to 23 November 2020 and was calculated at the coupon rate of 3% per annum. The remaining amount of the Convertible Bonds were classified as non-current liabilities.

The major terms and conditions of the convertible bonds issued by the Company (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 2018 and 2019 are as follows:

	Liability component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
As at 1 January 2018	—	—	—
Issuance of Convertible Bonds *(i)*	537,933	128,088	666,021
Interest expenses *(ii)*	4,125	—	4,125
Exchange difference	(4,666)	—	(4,666)
As at 31 December 2018	537,392	128,088	665,480
As at 1 January 2019	**537,392**	**128,088**	**665,480**
Conversion of Convertible Bonds *(iii)*	**(97,612)**	**(23,794)**	**(121,406)**
Interest expenses *(ii)*	**35,920**	**—**	**35,920**
Exchange difference	**6,863**	**—**	**6,863**
As at 31 December 2019	**482,563**	**104,294**	**586,857**

Notes:

(i) During the year ended 31 December 2018, the Company issued Convertible Bonds in an aggregate principal amount of HK$750,000,000 (equivalent to approximately RMB666,021,000).

(ii) The interest expense of RMB35,920,000 (2018: RMB4,125,000) was calculated using the effective interest method.

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

During the year ended 31 December 2019, Convertible Bonds with principal amount of HK$139,323,520 were converted into 118,070,780 ordinary shares of the Company, which resulted in an increase in share capital of HK$11,807,000 (equivalent to approximately RMB10,074,000) and share premium of HK$129,394,000 (equivalent to approximately RMB111,332,000), respectively.

12 BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
Secured		
Bank borrowings	**5,000**	—
Unsecured		
Bank borrowings	**—**	5,000
	5,000	5,000
Non-current		
Unsecured		
Loans from third parties *(b)*	**1,200**	229,742
Total borrowings	**6,200**	234,742

(a) Weighted average annual interest rates

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank borrowings	**5.22%**	5.73%
Loans from third parties	**3.48%**	1.25%

(b) Loans from third parties

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
A former director of the Company *(i)*	**—**	228,542
Other third parties *(ii)*	**1,200**	1,200
	1,200	229,742

Notes:

(i) The amount represent a loan from a former director of the Company of HK$260,000,000. The loan bears interest at 3.75% per annum and is originally repayable on 31 December 2020. Pursuant to the sale and purchase agreement (the "**Disposal Agreement**") in relation to the disposal of Lee & Man, the above loan was set off against the consideration upon completion of the disposal on 27 December 2019. Refer to Note 13 for details.

(ii) The amount represent loans from third parties which bear interest at 10% per annum and are repayable in April 2021.

13 DISCONTINUED OPERATIONS

As disclosed in Note 2.1, Lee & Man was sold on 27 December 2019 and is reported in the current period as discontinued operations. Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

(a) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period from 1 January 2019 to 27 December 2019 and the year ended 31 December 2018.

	For the period from 1 January 2019 to 27 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
Revenue	**444,751**	383,899
Expenses	**(429,246)**	(379,660)
Profit before taxation	**15,505**	4,239
Income tax expense	**(2,991)**	(3,324)
Profit after income tax of discontinued operations	**12,514**	915
Loss on disposal of equity interest in discontinued operations before reclassification of foreign currency translation, net of income tax *(Note 13(b))*	**(39,994)**	—
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	**(7,637)**	—
(Loss)/profit from discontinued operations	**(35,117)**	915

	For the period from 1 January 2019 to 27 December 2019	For the year ended 31 December 2018
	RMB'000	*RMB'000*
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit assets	**—**	228
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of discontinued operations	**11,295**	(5,185)
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	**7,637**	—
Other comprehensive income/(loss) from discontinued operations	**18,932**	(4,957)
Total comprehensive loss from discontinued operations	**(16,185)**	(4,042)
Net cash inflow from operating activities	**23,249**	12,619
Net cash outflow from investing activities	**(33,540)**	(11,464)
Exchange losses on cash and cash equivalents	**(1,923)**	(486)
Net (decreases)/increase in cash generated by the subsidiaries	**(12,214)**	669

(b) Details of the sale of the subsidiaries

On 8 November 2019, the Group entered into the Disposal Agreement with South Land to dispose its entire equity interests in Lee & Man for a total consideration of HK$276,488,000. Pursuant to the Disposal Agreement, the consideration is satisfied in the following manner:

(i) the amount of HK$273,746,000 will be satisfied by setting off against the equivalent amount of the outstanding loan amount owing by the Company to a former director with principal amount of HK$260,000,000 (Note 12) and the respective interest payable owing by the Company; and

(ii) South Land shall pay the sum of HK$2,742,000 in cash to the Company.

In connection with the disposal of Lee & Man, on 27 December 2019, the Group and South Land executed the deed of waiver (the "**Deed of Waiver**"), pursuant to which, the Company agreed to waive shareholders' loans due from Lee & Man amounting to HK$39,307,000 on the date of disposal.

On 27 December 2019, the Group completed the disposal of 100% equity interest in Lee & Man. Details of the effect on disposal are as follows:

	2019
	RMB'000
Consideration satisfied:	
Cash	**2,406**
Add: Amount set off against loans and the respective payable owing by the Group *(Note 12)*	**245,907**
Total disposal consideration	**248,313**
Carrying amount of net assets sold	**(286,787)**
Less: expenses in relation to the disposal	**(1,520)**
Loss on disposal before reclassification of foreign currency translation reserve	**(39,994)**
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	**(7,637)**

The carrying amounts of assets and liabilities upon execution of the Deed of Waiver as at the date of disposal (27 December 2019) were:

	2019
	RMB'000
Current assets	
Inventories	**79,172**
Tax recoverable	**146**
Trade and other receivables	**68,496**
Cash and cash equivalents	**9,646**
Financial assets at fair value through profit or loss	**29,000**
Other current assets	**7,375**
Non-current assets	
Property, plant and equipment	**83,444**
Right-of-use-assets	**41,646**
Investment properties	**37,477**
Defined benefit assets	**5,301**
Deferred tax assets	**2,876**
Current liabilities	
Trade and other payables	**(71,269)**
Tax payable	**(2,632)**
Contract liabilities	**(440)**
Non-current liabilities	
Deferred tax liabilities	**(3,451)**
Total identifiable net assets	**286,787**

14 CAPITAL COMMITMENTS

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Property, plant and equipment	—	6,550

15 EVENTS AFTER THE BALANCE SHEET DATE

(1) Proposed issuance of convertible bonds

On 13 January 2020, the Company and United Strength Victory Limited (the "**Investor**", a wholly-owned subsidiary of Exponential Fortune) entered into an investment agreement (the "**Investment Agreement**") pursuant to which the Company agreed to issue and the Investor agreed to subscribe for convertible bonds in the aggregate principal amount of up to HK$780,000,000. Up to the date on which this set of financial statements were authorised for issue, the Investment Agreement and the transactions contemplated thereunder is subject to the satisfaction of certain conditions as set forth in the Investment Agreement.

(2) The assessment of the impact of the novel coronavirus ("COVID-19")

The Group has temporarily suspended the operation of certain restaurants (including both self-operated and franchised restaurants) (the "**Suspended Restaurants**") since 26 January 2020. In compliance with the guidelines on infection control and work resumption issued by the relevant governmental authorities and the latest development of the COVID-19, the Group is in the process of resuming the full operations of the Suspended Restaurants.

Based on the current information available to the Company, it is expected that the temporary suspension of the restaurants and the dampening of consumer sentiment due to the COVID-19 would result in a decline in the revenue of the Group, and hence have an adverse effect on the operating performance of the Group in the first quarter and the first half of 2020. Up to the date on which this set of financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the Group and is currently unable to estimate the quantitative impacts to the Group.

In preparing this set of financial statements, the Group tested goodwill and trademarks with indefinite useful life for impairment and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. In the goodwill impairment test to be performed in 2020, the impact of the COVID-19 on the present value of estimated future cash flows of the CGUs will be considered. Up to the date on which this set of financial statements were authorised for issue, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group.

FINAL DIVIDEND

The board of directors of the Company has determined not to declare final dividend for the year ended 31 December 2019 (2018: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2019 was RMB985.0 million (31.12.2018: RMB983.3 million). As at 31 December 2019, the Group had current assets of RMB318.7 million (31.12.2018: RMB642.6 million) and current liabilities of RMB354.2 million (31.12.2018: RMB475.7 million). The current ratio was 0.90 as at 31 December 2019 as compared to 1.35 as at 31 December 2018.

The Group generally finances its operations with internally generated cash flow and convertible bonds issued to shareholder. As at 31 December 2019, the Group had outstanding bank borrowings of RMB5.0 million (31.12.2018: 5.0 million). As at 31 December 2019, the Group maintained bank balances and cash of RMB131.3 million (31.12.2018: RMB302.3 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total borrowings over shareholders' equity) was 0.13 as at 31 December 2019 (31.12.2018: 0.30).

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

The capital structure of the Group consists of debts, which include convertible bonds and borrowings, and equity attributable to equity holders of the Company, comprising share capital and reserves.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no capital expenditure contracted for but not provided in the consolidated financial statements in respect of the property, plant and equipment improvement (31.12.2018: RMB6.6 million).

The Group has sufficient cash and ability to obtain bank borrowings to meet the Group's capital and other commitments and working capital requirements.

EVENTS AFTER THE REPORTING PERIOD

Save for the events as disclosed in Note 15 to the consolidated results of the Company in this announcement, no other significant event affecting the Group took place after 31 December 2019 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS

During the year, the Company has no significant investment, with a value of 5% or more of the Company's total assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition of subsidiaries, associates or joint ventures of the Group during the year. Save for the disposal of Lee & Man, there was no other material disposal of subsidiaries, associates or joint ventures of the Group during the year.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed, the Group also did not have definite plans for material investments and capital assets.

CHARGE ON ASSETS

As at 31 December 2019, save for buildings with net book value of RMB24.1 million were pledged as securities for the Group's borrowings, there was no charge over the assets of the Group.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any contingent liabilities (31.12.2018: nil).

GEARING RATIO

As at 31 December 2019, the Group's gearing ratio was 27% (31.12.2018: 32%).

FOREIGN EXCHANGE EXPOSURE

The Group's businesses are principally conducted in HK dollars, RMB and US dollars which are exposed to foreign currency risk with respect to transactions denominated in currencies other than HK dollars, RMB and US dollars. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations. The Group did not enter into any forward contract to hedge its exposure to foreign currency risk for the year ended 31 December 2019 (2018: nil).

HUMAN RESOURCES

At 31 December 2019, the Group had a workforce of about 4,090 people (2018: about 8,600 people, including 5,100 people under the food and beverage business and 3,500 people under the manufacturing and sales of handbags business). 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. To retain and provide incentives to directors, employees and eligible persons and to recognize their contributions to the Group, the Company adopted a share option scheme on 18 May 2011 and a share award scheme on 11 November 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 purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") throughout the year ended 31 December 2019:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. During the year ended 31 December 2019 and up to the date of this announcement, 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 results of the Group for the year ended 31 December 2019 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 2019 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 for the year ended 31 December 2019 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, 30 March 2020

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. Jing Shen and 3 independent non-executive Directors, namely, Mr. Leung Kwai Kei, Mr. Heng Victor Ja Wei and Mr. Tsang Hin Man, Terence.