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 2020

FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**650,691**	998,250
Gross profit	**351,517**	590,338
Gross profit margin	**54.0%**	59.1%
Operating (loss)/profit of controlling brands *(Note)*	**(64,331)**	32,923
Interest on convertible bonds	**(35,214)**	(35,920)
Share-based compensation expenses	**(12,247)**	(8,181)
Gain on fair value change on derivative financial instrument	**29,262**	—
Loss for the year from continuing operations	**(150,996)**	(86,270)
Loss per share for loss from continuing operations attributable to equity holders of the Company:		
Loss per share (RMB cents) — basic and diluted	**(8.93)**	(5.56)

Note: Including "Xinladao" and "HHG"

* *For identification purpose only*

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

Looking back on 2020, the year-long novel coronavirus disease (COVID-19) pandemic (the "**COVID-19 Pandemic**") continued in 2021 and took a toll across the entire food and beverage industry. A number of food and beverage enterprises were severely affected or even closed down.

In 2020, Best Food Holding Company Limited ("**Best Food**" or the "**Company**", together with its subsidiaries, the "**Group**") has strived to seize opportunities for a successful business rebound with corporate survival as its primary goal amid the COVID-19 Pandemic. Given that over 75% of the direct owned stores under the controlling brands of the Company are located in Beijing, coupled with several waves of the COVID-19 Pandemic occurred in Beijing, the operation of the Group was seriously affected under strict policy regulation implemented by the government in response to the COVID-19 Pandemic. Some of the stores were closed down, while the opening of new stores and expansion of franchise business had been carried out by the Group prudently. During the COVID-19 Pandemic, the progress of adjustment of various brands was accelerated. All the brands under the Group survived by applying various measures, such as reinforcement of online operation, digitalized construction, adjustment of store layout, optimization of organizational structure and strengthening of organizational capabilities, in preparation for the long-term development.

As mentioned in the annual report of the Company for the year ended 31 December 2016, China's food and beverage industry had undergone tremendous and profound changes in market demand and supply, which heralded that chain catering brands with the ability to provide convenience, safety, health and fashion sense would stand out in the industry. Best Food has begun to invest in the food and beverage industry in a systematic manner since then.

The COVID-19 Pandemic has accelerated reshuffle of the food and beverage industry and has heightened short-term fluctuation in financial results. As a result, outstanding brands could be differentiated from other competitors more quickly. Although the entire industry was under tremendous pressure, the Group's brands have revealed strong vitality and some of them have even achieved growth amid adversity in 2020. Based on the preliminary appreciation in value of the Group's brands, the Group has obtained, and expects to obtain new financing facilities.

The Company hereby would like to re-emphasize that it has been attaching great importance to its long-term development. Directors and management of the Group make decisions on the basis that the Group would capitalize on the long-term opportunities arising in the industry, instead of considering short-term profits based on market responses in a short duration.

In addition to emphasizing the Group's long-term development, the Company would also like to highlight that the emergence of new brands across the food and beverage industry, driven by the new wave of consumption in China, is not a gradual progress. Instead, a large number of brands are emerging in a bloom within a short period of time against the backdrop of mature development of fundamental conditions. Given its judgement on such long-term trend, Best Food establishes its business platform, with a view to seizing the systematic opportunities in the industry.

On one hand, Best Food focuses on upgrading brand models, digitalization and franchise expansion to increase its business scale. On the other hand, Best Food introduces excellent brands in the southern region to the northern region in China through Best Food's brand promotion model by establishing intensive business layout in the Beijing-Tianjin-Hebei region, building regional advantages and enhancing brand value through high potential brands, thereby contributing revenue to the Group.

On this basis, Best Food will subsequently further extend the team's top-class and extensive operation experience in the food and beverage industry. For instance, in respect of franchise expansion, Best Food will establish a unique franchising model, work closely together with franchisees in different regions and leverage operational capabilities of the regional franchisees with Best Food's multi-brand "content" resources to achieve positive results in different regions. In 2020, as affected by the COVID-19 Pandemic, franchisees remained cautious with their franchise expansion plans. The Group provided support to its franchise partners by reducing or exempting franchise fees with a view to achieving mutual benefits and long-term development through the partnership. In addition to brand appeal, franchise expansion is based on (i) the optimization of single-store model in terms of reducing investment costs and upgrading store layout; and (ii) provision of better services to franchisees by enriching their enterprise resource planning ("**ERP**") system through digitalization. Currently, franchisees of controlling brands under the Group have achieved automation ranging from value storage, inventory inspection and online ordering.

In order to support further expansion of the Group's businesses, in respect of supply chain collaboration, the Group continued to lower procurement costs by expanding centralized tenders for procurement and sharing infrastructure facilities. In 2020, the Group continued to organize its controlling brands to invite tenders for some of their procurements, which has lowered the costs of raw materials. In addition, the Group actively promoted the external sales business of the factory of the Group, resulting in an increase in the factory's production value and business revenue. During the COVID-19 Pandemic, the Group also specified the central kitchen optimization plan of its controlling brand, HHG, and put in resources to expand its capacity. In 2020, the Group completed renovation of warehouses and production lines of HHG, laying a solid foundation for further expansion.

Furthermore, the Group particularly focuses on the capacity building of online and offline digitalized dataflow operation. In 2020, the Group continued to facilitate the digitalization system upgrade of its controlling brands, while dedicating its efforts on improving customer experience and internal management efficiency. Beijing Dingding Technology Co., Ltd.* (北京頂頂科技有限公司), a joint-stock company, provided assistance to the Group in the implementation of customer operations with a focus on the digital platform, "WeChat Mini Programs". For HHG, the Group implemented measures such as customer acquisition via the use of WeChat Mini Programs, community operation, integration of membership shared channels of various platforms, etc., hence the number of members using WeChat Mini Programs increased steadily by more than 50,000 users per month. Xinladao Hotpot realized tableside ordering and billing, and started to apply facial recognition technology to conduct works such as back office management and big data analysis.

Looking forward, the food and beverage industry in China is entering a golden development era of unrestrained growth. The Group believes that the unique model as well as the constantly aggressive and innovative approach featured by Best Food will gradually create value and be recognized by investors.

Operating Results

In 2020, the Group's total system sales, constituting sales of all restaurants, both owned and franchised under the brands of the Group amounted to RMB1,626.8 million, representing a decrease of 15.0% as compared to RMB1,913.9 million for the corresponding period in 2019. The revenue presented under consolidated statement of comprehensive income of the Group was RMB650.7 million, representing a decrease of 34.8% as compared to RMB998.3 million for the corresponding period in 2019. The operating loss of "HHG" and "Xinladao" was RMB64.3 million, as compared to the operating profit of RMB32.9 million in 2019. Net management expense of the Group's headquarters amounted to RMB26.1 million in 2020, increased by RMB8.7 million as compared to 2019, which was attributable to the continuous recruitment of new staff for its digitalization and franchise departments upon the gradual recovery from the COVID-19 Pandemic in the second half of 2020 in preparation for the development of the coming year. The Group recorded an operating loss in 2020 of RMB98.4 million, as compared with operating profit of RMB7.3 million in 2019.

In 2020, the Group's finance expenses, net was RMB52.3 million, representing a decrease of 13.4% as compared to 2019, including, among others:

(i) the interest expense on lease liabilities of RMB16.7 million, representing a decrease of 10.7% as compared to 2019; and

(ii) the interest expense of the convertible bonds issued on 23 November 2018 of approximately RMB35.2 million during the year, which was in line with RMB35.9 million in 2019.

In 2020, non-operating items that had financial impacts on the Group were as follows:

(i) share of loss of associates amounted to RMB14.6 million, as compared to RMB11.2 million in 2019. The impairment loss on investments in associates was RMB24.6 million for the year ended 31 December 2020, as compared to the impairment loss of RMB15.0 million in 2019; and

(ii) gain on fair value change on derivative financial instrument of approximately RMB29.3 million arising from the option to issue convertible bonds with an aggregate principal amount of HK$780 million to be issued by the Company pursuant to an investment agreement entered into between the Company and United Strength Victory Limited on 13 January 2020, which was approved by the shareholders of the Company at the extraordinary general meeting held on 28 May 2020.

Based on the above, the Group recorded loss for the year of RMB151.0 million in 2020, representing an increase in loss of approximately RMB29.6 million from the loss of RMB121.4 million for the corresponding period in 2019. It should be noted that a loss of RMB106.0 million was recorded in the first half of 2020, while a loss of RMB45.0 million was recorded in the second half of the year. With efforts of raising income and cutting down expenditure, wealth management products and balance of cash and cash equivalents of the Group amounted to RMB151.7 million in total as at 31 December 2020.

In the second half of 2020, the performance of controlling companies and joint-stock companies recovered in different degrees. The Company considered that with the abatement of the COVID-19 Pandemic and the successive implementation of the abovementioned measures, the performance of the Group will achieve breakthroughs in 2021.

Business Progress of Controlling Brands

HHG

In 2020, HHG continued to implement the strategy of "Activating Organization, Streamlining Varieties, Increasing Categories, Optimizing Quality; Capacity Upgrade, Value Realization; Customer Satisfaction, Employee Pride" proposed in 2019 and remained focus on product elevation and customer experience, which has made considerable progress in boosting sales through multiple channels. With over 95% of its direct owned stores located in Beijing, HHG was affected by the COVID-19 Pandemic and recorded an operating loss of RMB18.9 million in the first half of 2020 with a decrease of 37.5% in its system sales in the first half of 2020 as compared to the corresponding period in 2019. The operating loss was partially offset by the operating profit of RMB15.1 million recorded in the second half of 2020, mainly attributable to the abatement of the COVID-19 Pandemic and the savings in labour costs due to the systematic adjustments made on the working hours scheduling system. As a result, the system sales recorded by HHG for the year ended 31 December 2020 decreased by 21.9% as compared to the corresponding period in 2019. Based on the above, the operating loss was RMB3.8 million in 2020, as compared to the operating profit of RMB16.3 million in 2019.

Brand Upgrade: In July 2020, HHG signed a contract with its first brand spokesperson, Zhai Xiaochuan, a core player of Beijing Basketball Team, with a view to rejuvenating the brand. In addition, it launched cross-over gift packages and promotional events in various holiday seasons and on the day when Beijing Basketball Team won the championship, which effectively boosted the growth in revenue. In November 2020, HHG opened its first Winter Olympic Games themed store in Beijing and sponsored the Ice Hockey Elite Match organized by elite schools in Beijing to further strengthen its brand image.

Digitalization Upgrade: In 2020, HHG flexibly conducted online and offline multi-dimensional marketing, including posting short videos on Douyin (抖音) to interact with customers, and revamped its public accounts with a younger and more fashionable image to attract young consumers. The proportion of orders through WeChat Mini Programs and the number of members increased steadily month by month. In order to provide quality services to the increasing number of franchisees, the ordering module with stored value was introduced in the ERP system which realized real-time enquiry of inventory, self-ordering and automatic calculation after recharging value by franchisees and enhanced the ordering efficiency of franchisees, laying a foundation for franchise expansion.

Product Research and Development: In February 2020, HHG launched ‘‘anti-epidemic set meals’’, which include a self-developed refreshing drink for nourishing lungs. As official workers gradually returned to work, HHG relaunched certain products that had gained acclaims from customers in the pipelines based on market research, such as Spicy Stir-fry Pot (麻辣香鍋), Buddha's Feast (羅漢上素) and Vegetable Wonton (青菜餛飩). Keeping abreast of the youngsters' passion for tea drinks and the spicy food trend nowadays, HHG also launched various products successively such as Berry-flavored Drink (漿果酸酸飲), Orange & Mango Tea (香橙芒果茶) and Flaky Pancake with Rattan Pepper and Pork (藤椒豬肉手抓餅), in order to meet customers' needs.

Supply Chain: Relying on the centralized procurement center of the Group, the Company enjoyed a centralized procurement price across multiple brands, which reduced the costs of some staple food. In addition to the sales of semi-finished vegetables to third party customers engaged in the food and beverage business, HHG also launched new retail products targeting end-customers, such as frozen breakfast, as a part of the ‘‘omni-channel’’ sales. In 2020, given the food safety and subsequent demand for capacity expansion, investments were made to increase the area of its cold storage and upgrade its equipment.

Xinladao

In 2020, Xinladao carried on its structural adjustment and brand upgrade. With nearly half of its direct owned stores located in Beijing, Xinladao was affected by the COVID-19 Pandemic. Its system sales for the year of 2020 decreased by 44.8% as compared to 2019 while gross profit recorded a decrease of RMB165.2 million. The operating loss of Xinladao for the year amounted to RMB60.6 million, representing an increase in operating loss of RMB77.2 million as compared to the operating profit of RMB16.6 million in 2019. Among which, the operating loss in the second half of 2020 amounted to RMB9.6 million, representing a significant reduction as compared to the operating loss of RMB51.0 million in the first half of the year.

Brand Upgrade: Xinladao continued to promote its new store layout and launched new products to tap into the food delivery market. One of its take-away products is a meal for one (i.e. cooked fish and vegetables served with rice), targeting the fast food market. Another take-away product is a fish pot. Hot pot products of the store will be packed in tinfoil to preserve heat and delivered with a safe alcohol stove. It is suitable for 2 persons or above and targeting family and business gatherings.

Digitalization Upgrade: In 2020, Xinladao launched the ‘‘ordering- and check-out-at-table’’ service after optimizing its menus, which enhanced labour efficiency of its servers. Meanwhile, Xinladao opened a new Douyin (抖音) account to share its latest news with fans, at the same time interacting with fans via its posts on WeChat public account.

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 materials and condiments. New products such as snakehead fin were also launched with more new products to be rolled out successively in the subsequent period.

Franchise Expansion: In 2020, Xinladao provided rental support to franchisees in collaboration with external third parties. The successful pilot operation of its first franchise store under such business model has not only provided support for young entrepreneurs, but also driven the franchise expansion. The first franchise store opened in Lanzhou region filled the market gap in Gansu and reinforced its brand influence in the northwest market, thereby reserving more strength for the brand to carry out in-depth development in the northwest market. With the establishment of a light store layout as the focus of its franchise expansion, Xinladao has currently developed a small-scale business model with low investment costs and small store layout, which are designed primarily for franchise promotion in third- and fourth- tier cities. Several partners expressed their interest in joining the Group's franchise program at the beginning of 2021.

Joint-Stock Brands

For the year ended 31 December 2020, benefited from the preliminary results of the franchise expansion strategy and the quick rebound of the direct operation business of various brands after the COVID-19 Pandemic, the number of direct owned and franchise stores of the overall food and beverage business of the Group's joint-stock brands exceeded 300 in total with a growth in system sales of 7.1% as compared to the year ended 31 December 2019. As of 31 December 2020, the joint-stock brands were under sound operation. The single-month sales revenue of comparable stores recorded in December 2020 has rebounded to 83.0% to 124.0% of such sales revenue recorded in the historical corresponding period. Among the eight joint-stock brands, five brands recorded a recovery rate of over 100%. The following is a summary of business data of the investees of the Group in 2020:

Yujian Xiaomian

In 2020, Yujian Xiaomian opened 48 new stores and recorded system sales of approximately RMB289.6 million, representing an increase of approximately 105.6% as compared to 2019. During the outbreak of the COVID-19 Pandemic, Yujian Xiaomian recorded a growth despite the adversity, which benefitted from the preliminary foundation work such as proactive development and optimization of front-end stores and back office information system of the headquarters, as well as continuous exploration and optimization of store layout and product structure, and the promotion of franchise business. In May 2020 when the COVID-19 Pandemic was relatively more serious in Beijing, Yujian Xiaomian opened its first store in Beijing, marking the first step of its expansion in the Northern China market. As of 31 December 2020, Yujian Xiaomian opened eight stores in Beijing. At the beginning of 2020, Yujian Xiaomian obtained new financing facilities from, among others, Jiumaojiu. At the end of 2020, it attracted a new investor and commenced the negotiation for another round of financing facilities.

West Master

For the year ended 31 December 2020, as affected by the COVID-19 Pandemic, the system sales of West Master amounted to RMB145.3 million, representing a decrease of approximately 18.8% as compared to the year ended 31 December 2019. At the beginning of 2020, the management put forward the big supply chain strategy, pursuant to which West Master had significantly reduced the cost of stores through international cooperations along the supply chain. In order to expand the franchise business, the management has proactively introduced external resources and established a joint venture in 2019, which is principally engaged in the franchise business in Beijing and Zhengzhou. In 2020, the joint venture opened four franchise stores successfully. Since November 2020, West Master has developed the small store layout that is suitable for third- and fourth-tier cities. As of 31 December 2020, West Master entered into contracts with over 20 franchise stores in places such as Shaanxi, Shanxi, Ningxia and Inner Mongolia, etc. for the small store layout, while over 60 franchisees expressed their intention for cooperation and seven stores commenced operation successfully.

Sexy Salad

For the year ended 31 December 2020, the system sales of Sexy Salad amounted to RMB20.7 million. It has enhanced its single-store profitability by closing down loss-making stores, demonstrating edges in user management and making use of online brand crossover joint promotion campaigns. Meanwhile, it has developed new driver for business growth by consistently providing customized catering services to major customers. During the COVID-19 Pandemic, "Wonderlab" launched in 2019 recorded a rapid growth in sales and was favored by various investors. It also launched new retail products such as plant-based soya milk powder under "Oh Young Doudou" and healthy breakfast set in May 2020 with a view to building an integrated business.

Yuepin

For the year ended 31 December 2020, the total system sales of "Pho Nam" and "Muine", both being brands under Yuepin, amounted to RMB127.8 million, representing an increase of 15.5% as compared to the year ended 31 December 2019 and realizing profits in the difficult year of 2020. The growth amid adversity during the COVID-19 Pandemic was attributable to the brand's stringent control over quality and its continuous pursuit of service standards.

Dafulan

For the year ended 31 December 2020, the system sales of Dafulan amounted to RMB51.6 million, which remained flat as compared with the year ended 31 December 2019. New store layout was launched and rice noodle were freshly made onsite, through which significant improvement has been seen in various aspects such as store image, store area efficiency and customer satisfaction. Dafulan has granted its franchise rights to the subsidiaries of Best Food, and by leveraging the resources of Best Food, it quickly opened two stores in Beijing since the end of November 2020.

Clay Pot King

For the year ended 31 December 2020, the system sales of Clay Pot King amounted to RMB129.7 million. In the post-COVID-19 Pandemic era, Clay Pot King continued to intensify its efforts and realised year-on-year growth in the same-store sales of its direct-operated stores. While promoting sales growth, it carried out management and control over its expenses by implementing precise cost control and incentive strategy for human resources, resulting in a year-on-year decrease in the proportion of labour costs of 4 percentage points. With the preliminary effects of various operation management strategies emerging, despite the significant impact of the COVID-19 Pandemic, losses in 2020 still decreased by 37.6% as compared to the year ended 31 December 2019. In order to accelerate the expansion of franchise business, Clay Pot King introduced franchisee from Nanjing and cooperated with developers of commercial properties, through which it has currently successfully opened eight franchise stores in Nanjing and Hefei. These stores were well-recognized by local consumers and more stores will be launched in the subsequent period. Clay Pot King is currently carrying out the negotiation for another round of financing facilities.

Seesaw Coffee

For the year ended 31 December 2020, the system sales of Seesaw Coffee amounted to RMB71.1 million, which remained basically flat as compared with the year ended 31 December 2019. During the COVID-19 Pandemic, Seesaw Coffee opened the first local store in O ō Eli, an art industrial park in Hangzhou, which has become an internet-famous shop in the locality. Seesaw Coffee has adopted various marketing approaches to increase customers' loyalty, including communication via Douyin (抖音), interaction with fans via official WeChat account, launch of Seesaw x Maison Margiela cross-over pop-up store, launch of Seesaw x Li Jiaqi Never's family themed pop-up coffee shop and the Run-the-City activity co-organized with NIKE. The Company also launched the "Easy Brew" coffee powder, a new retail product, on its T-Mall online flagship store under the slogan of "Cold brew for 8 hours; Hot brew for 5 minutes" to further strengthen its online product pipeline. During the outbreak of the COVID-19 Pandemic, the Company took advantage of the crisis to optimize its management and strengthen the control over its costs and expenses.

Foook

The open and customisable spicy hot pot offered by Foook was greatly affected by the COVID-19 Pandemic. The sales revenue for the year ended 31 December 2020 decreased as compared to that of 2019. Re-adopting the "simplified and sophisticated" layout, Foook efficiently consolidated its supply chain and optimized the finance model of its stores. Foook also actively strengthened the systematic management of stores and back office. Membership system was also launched and accumulated a large number of fans over a short period of time. Efforts have also been made to increase brand exposure through multiple channels, such as launch of retail products on T-mall including instant spicy hot pot products and sour-and-spicy noodle. On the basis of the above, Foook opened the first single-store, which is a franchise store, in Shenzhen in June 2020, and opened the first franchise store in Nanchang, Jiangxi in October 2020. Foook has granted its franchise rights to the subsidiaries of Best Food, and by leveraging the resources of Best Food, it will complete its store layout in Northern China.

ANNUAL RESULTS

The board of directors of the Company is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2020 together with comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Continuing operations			
Revenue	*3*	**650,691**	998,250
Cost of sales		**(299,174)**	(407,912)
Gross profit		**351,517**	590,338
Distribution and selling expenses		**(361,873)**	(491,179)
General and administrative expenses		**(96,236)**	(109,581)
Reversal of/(provision for) expected credit loss allowance for financial assets, net		**450**	(2,849)
Other income	*4*	**12,730**	19,622
Other (losses)/gains, net	*5*	**(5,030)**	968
Operating (losses)/profit		**(98,442)**	7,319
Finance income		**221**	258
Finance expenses		**(17,332)**	(24,754)
Interest on convertible bonds		**(35,214)**	(35,920)
Finance expenses — net		**(52,325)**	(60,416)
Gain on fair value change on derivative financial instrument	*9*	**29,262**	—
Share of loss of associates		**(14,559)**	(11,189)
Impairment losses on investments in associates		**(24,625)**	(14,971)
Loss before taxation		**(160,689)**	(79,257)
Income tax credit/(expense)	*6*	**9,693**	(7,013)
Loss for the year from continuing operations		**(150,996)**	(86,270)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Discontinued operations:			
Profit for the year		**—**	12,514
Loss on disposal of equity interest in discontinued operations before reclassification of foreign currency translation reserve, net of income tax		**—**	(39,994)
Reclassification of foreign currency translation reserve on discontinued operations upon disposal		**—**	(7,637)
Loss for the year from discontinued operations		**—**	(35,117)
Loss for the year		**(150,996)**	(121,387)
Loss for the year attributable to:			
Equity holders of the Company		**(140,938)**	(121,634)
Non-controlling interest		**(10,058)**	247
		(150,996)	(121,387)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**8,948**	(7,790)
Exchange differences arising on translation of discontinued operations		**—**	11,295
Reclassification of foreign currency translation reserve on discontinued operations upon disposal		**—**	7,637
Other comprehensive income for the year		**8,948**	11,142
Total comprehensive loss for the year		**(142,048)**	(110,245)
Total comprehensive loss for the year attributable to:			
— Equity holders of the Company		**(131,990)**	(110,492)
— Non-controlling interests		**(10,058)**	247
		(142,048)	(110,245)

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Total comprehensive loss for the year attributable to equity holders of the Company			
— Continuing operations		**(131,990)**	(94,307)
— Discontinued operations		**—**	(16,185)
		(131,990)	(110,492)
Loss per share for loss from continuing operations attributable to equity holders of the Company:			
Loss per share (RMB cents) — basic	*8*	**(8.93)**	(5.56)
Loss per share (RMB cents) — diluted	*8*	**(8.93)**	(5.56)
Loss per share for loss attributable to equity holders of the Company:			
Loss per share (RMB cents) — basic	*8*	**(8.93)**	(7.81)
Loss per share (RMB cents) — diluted	*8*	**(8.93)**	(7.81)

CONSOLIDATED BALANCE SHEET

At 31 December 2020

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**124,832**	151,830
Right-of-use-assets		**304,244**	372,944
Investments in associates		**220,026**	273,054
Goodwill		**580,931**	580,931
Intangible assets		**505,763**	507,468
Derivative financial instrument	*9*	**72,226**	—
Deferred tax assets		**33,560**	25,205
Trade and other receivables	*10*	**29,213**	43,116
Financial assets at fair value through other comprehensive income		**5,000**	5,000
Other non-current assets		**1,284**	2,075
		1,877,079	1,961,623
Current assets			
Inventories		**32,338**	35,935
Trade and other receivables	*10*	**39,320**	29,338
Other current assets		**57,302**	59,392
Financial assets at fair value through profit or loss		**27,931**	62,792
Cash and cash equivalents		**123,741**	131,285
		280,632	318,742
Total Assets		**2,157,711**	2,280,365

		As at 31 December	
		2020	2019
	Note	***RMB'000***	*RMB'000*
Current liabilities			
Trade and other payables	*11*	**150,223**	129,060
Contract liabilities		**59,144**	61,746
Lease liabilities		**102,771**	116,709
Borrowings	*13*	**16,200**	5,000
Tax payable		**4,926**	7,495
Convertible bonds — interest payable	*12*	**45,837**	34,183
		379,101	354,193
Non-current liabilities			
Payable in relation to put right of non-controlling interests		**—**	99,024
Convertible bonds	*12*	**439,588**	448,380
Lease liabilities		**213,394**	263,580
Deferred tax liabilities		**121,790**	123,579
Borrowings	*13*	**—**	1,200
Deferred government grants		**3,167**	5,443
		777,939	941,206
Total liabilities		**1,157,040**	1,295,399
Capital and reserves			
Share capital		**133,023**	133,023
Reserves		**791,093**	766,427
Equity attributable to equity holders of the Company		**924,116**	899,450
Non-controlling interests		**76,555**	85,516
Total equity		**1,000,671**	984,966
Total liabilities and equity		**2,157,711**	2,280,365

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.

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.

During the year ended 31 December 2020, the temporary suspension of the restaurants and the dampening of consumer sentiment due to the global COVID-19 pandemic has resulted in a significant decrease in the Group's revenue in 2020, and constituted to a triggering event of impairment tests of investments in certain associates of the Group. It brought additional challenge to the overall operating environment of the industry and the Group.

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:

- 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.

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

2.1.2 Going concern

As of 31 December 2020, the Group's current liabilities exceeded its current assets by RMB98,469,000. The liquidity of the Group is primarily dependent 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 investment agreement entered into with a related party controlled by Exponential Fortune (the ultimate holding company of the Company) in relation to the issuance of convertible bonds by the Company (Note 9), 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 2020. 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 2020:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	*Interest Rate Benchmark Reform*
Revised Conceptual Framework for Financial Reporting	

The Group also elected to adopt the following amendments early:

Amendment to HKFRS 16	*COVID-19-Related Rent Concessions*

The amendments stated above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods, except for the amendment to HKFRS 16 on COVID-19-Related Rent Concessions as set out in Note 2.2 below.

2.1.4 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published but are not mandatory for 31 December 2020 reporting period 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.

2.2 Changes in accounting policy and disclosures

The Group has early adopted the amendment to HKFRS 16 on COVID-19-Related Rent Concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the year ended 31 December 2020, rent concessions totaling RMB15,990,000 have been recognised in profit or loss as negative variable lease payments with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 January 2020.

3 REVENUE AND SEGMENT INFORMATION

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Continuing operations:		
Revenue from food and beverage business	**650,691**	998,250
Discontinued operations:		
Revenue from manufacturing and sales of handbags business	**—**	444,751

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.

The Group's principal market is the PRC and its sales to overseas customers contributed to less than 10% of revenue. Also, none of the Group's non-current assets is located outside the PRC. Accordingly, no geographical information is presented.

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 2020			
Total revenue	**650,691**	**—**	**650,691**
Inter-segment revenue	**—**	**—**	**—**
Revenue from external customers	**650,691**	**—**	**650,691**
Segment gross profit	**351,517**	**—**	**351,517**
Segment operating loss	**(98,442)**	**—**	**(98,442)**
Distribution and selling expenses	**(361,873)**	**—**	**(361,873)**
General and administrative expenses	**(96,236)**	**—**	**(96,236)**
Other information:			
Depreciation and amortisation	**167,189**	**—**	**167,189**
As at 31 December 2020			
Total assets	**2,157,711**	**—**	**2,157,711**
Including:			
Investments in associates	**220,026**	**—**	**220,026**
Total liabilities	**1,157,040**	**—**	**1,157,040**

	Continuing operations Food and beverage business *RMB'000*	Discontinued operations Manufacturing and sales of handbags business* *RMB'000*	Total *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)
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

* The manufacturing and sales of Handbags business has been disposed during the year ended 31 December 2019 (Note 14) and therefore it is no longer a reportable segment of the Group. As a result, the related revenue, expenses and income tax are presented as a single amount in the consolidated 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 2020 and 2019.

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 2020 and 2019. For discontinued operations, revenue of approximately RMB191,935,000 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 (loss)/profit to loss before taxation is provided as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Operating (loss)/profit from continuing operations	**(98,442)**	7,319
Finance income	**221**	258
Finance expenses	**(17,332)**	(24,754)
Interest on convertible bonds	**(35,214)**	(35,920)
Gain on fair value change on derivative financial instrument	**29,262**	—
Share of loss of associates	**(14,559)**	(11,189)
Impairment losses on investments in associates	**(24,625)**	(14,971)
Loss before taxation	**(160,689)**	(79,257)
Operating profit from discontinued operations	**—**	15,594
Finance expenses	**—**	(89)
Profit before taxation	**—**	15,505

4 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Government grants	**5,381**	4,704
Franchise income	**2,022**	7,640
Investment income on wealth management products *(a)*	**1,975**	2,197
Management service income *(b)*	**958**	2,500
Interest income on loans	**926**	732
Others	**1,468**	1,849
	12,730	19,622

Notes:

(a) For the year ended 31 December 2020, investment income on wealth management products includes realised gains of RMB1,694,000 (2019: RMB1,205,000) and unrealised gains of RMB281,000 (2019: RMB992,000), both of which are recorded as "other income" in the consolidated statements of comprehensive income.

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

5 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Loss on disposal of property, plant and equipment	**(8,408)**	(1,266)
Gain on disposal of right-of-use assets	**5,128**	1,340
Net exchange (loss)/gain	**(1,958)**	913
Loss on closure of restaurants — net	**(108)**	(122)
Others	**316**	103
	(5,030)	968

6 INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current income tax		
Hong Kong profits tax	**—**	1,345
PRC enterprise income tax ("**EIT**")	**451**	3,439
	451	4,784
Deferred tax	**(10,144)**	5,220
	(9,693)	10,004
Income tax expense is attributable to:		
— Continuing operations	**(9,693)**	7,013
— Discontinued operations	**—**	2,991
	(9,693)	10,004

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%. (2019: 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.

7 DIVIDENDS

The Board resolved not to declare any dividend for the year ended 31 December 2020 (2019: nil).

8 LOSS PER SHARE

	Year ended 31 December	
	2020	2019
	RMB cents	*RMB cents*
Basic loss per share (a)		
From continuing operations attributable to equity holders of the Company	**(8.93)**	(5.56)
From discontinued operations	**—**	(2.25)
Total basic loss per share attributable to equity holders of the Company	**(8.93)**	(7.81)
Diluted loss per share (b)		
From continuing operations attributable to equity holders of the Company	**(8.93)**	(5.56)
From discontinued operations	**—**	(2.25)
Total diluted loss per share attributable to equity holders of the Company	**(8.93)**	(7.81)

(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	
	2020	2019
Loss attributable to equity holders of the Company used in calculating basic loss per share:		
From continuing operations (RMB'000)	**(140,938)**	(86,517)
From discontinued operations (RMB'000)	**—**	(35,117)
	(140,938)	(121,634)
Weighted average number of ordinary shares in issue (thousands)	**1,578,664**	1,556,787

(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 2020 and 2019 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

9 DERIVATIVE FINANCIAL INSTRUMENT

	During the year ended 31 December 2020 *RMB'000*
As at 1 January	**—**
Addition	**46,631**
Fair value change	**29,262**
Exchange difference	**(3,667)**
As at 31 December	**72,226**

On 13 January 2020, the Company and United Strength Victory Limited ("**Investor**", a related party and a connected person of the Company under Chapter 14A of the Listing Rules) entered into an agreement (the "**2020 Investment Agreement**") in relation to the issuance of convertible bonds in the aggregate principal amount up to HK$780,000,000 for a total consideration equal to the principal amount of the convertible bonds. The 2020 Investment Agreement was approved by the Company's shareholders on 28 May 2020.

Pursuant to the 2020 Investment Agreement, at any time during the 2 years commencing from 29 May 2020 the Company may deliver subscription request(s) to the Investor requesting the Investor to subscribe for convertible bonds in the principal amount as specified in such subscription request(s). As a result, the directors of the Company are of the view that the above put option constituted a derivative financial instrument for the Company and should be accounted for as a financial asset at fair value through profit or loss.

The initial fair value of the derivative financial instrument at the recognition date which amounted to RMB46,631,000 was recognised as a deemed contribution from shareholder and recorded in shareholder's equity on special reserve. Subsequent change in fair value of the derivative financial instrument is recognised in profit or loss. As at 28 May 2020 and 31 December 2020, the fair values of the derivative financial instrument were determined using the binomial valuation model, and the key inputs into the model at the respective dates were as follows:

	As at 31 December 2020	As at 28 May 2020
Conversion price	**HK$1.180**	HK$1.180
Share price	**HK$0.440**	HK$0.900
Expected volatility	**20.5%**	17.6%
Remaining life	**1.41 years**	2.00 years
Risk-free rate	**0.08%**	0.61%

10 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade receivables *(a)*	**14,460**	14,142
Other receivables	**55,999**	61,161
Total trade and other receivables	**70,459**	75,303
Less: provision for expected credit loss allowance for trade receivables	**(309)**	(226)
provision for expected credit loss allowance for other receivables	**(1,617)**	(2,623)
Trade and other receivables — net	**68,533**	72,454
Less: Non-current portion	**(29,213)**	(43,116)
Trade and other receivables — current portion	**39,320**	29,338

(a) Trade receivables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Related parties	**68**	83
Third parties	**14,392**	14,059
Subtotal	**14,460**	14,142
Less: provision for expected credit loss allowance	**(309)**	(226)
Trade receivables — net	**14,151**	13,916

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	
	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**12,658**	13,856
6 months to 1 year	**1,802**	286
	14,460	14,142

Movement for expected credit loss allowance

	During the year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
As at 1 January	**226**	277
Provision for expected credit loss allowance	**83**	226
Written off during the year as uncollectible	**—**	(277)
As at 31 December	**309**	226

11 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 30 to 180 days.

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Trade payables (a)	**70,865**	50,915
Other payables and accruals	**79,358**	78,145
	150,223	129,060

(a) Trade payables

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Related parties	**10,914**	—
Third parties	**59,951**	50,915
	70,865	50,915

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	
	2020	2019
	RMB'000	*RMB'000*
Within 6 months	**61,578**	50,658
Over 6 months	**9,287**	257
	70,865	50,915

12 CONVERTIBLE BONDS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current		
Convertible bonds — interest payable	**45,837**	34,183
Non-current		
Convertible bonds	**439,588**	448,380

As at 31 December 2020, current portion of the convertible bonds amounted to HK$54,465,000 (equivalent to approximately RMB45,837,000), which represented interest payable commencing from 23 November 2018 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**") pursuant to the investment agreement dated 18 September 2016 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 (the "**Conversion Price**"), 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 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 2019 and 2020 are as follows:

	Liability component *RMB'000*	**Equity component** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	537,392	128,088	665,480
Conversion of Convertible Bonds *(ii)*	(97,612)	(23,794)	(121,406)
Interest expenses *(i)*	35,920	—	35,920
Exchange difference	6,863	—	6,863
As at 31 December 2019	482,563	104,294	586,857
As at 1 January 2020	**482,563**	**104,294**	**586,857**
Interest expenses *(i)*	**35,214**	**—**	**35,214**
Exchange difference	**(32,352)**	**—**	**(32,352)**
As at 31 December 2020	**485,425**	**104,294**	**589,719**

Notes:

(i) The interest expense of RMB35,214,000 (2019: RMB35,920,000) was calculated using the effective interest method.

(ii) During the year ended 31 December 2020, 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.

13 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current		
Secured		
Bank borrowings	**5,000**	5,000
Unsecured		
Bank borrowings	**10,000**	—
Loans from third parties	**1,200**	—
	16,200	5,000
Non-current		
Unsecured		
Loans from third parties	**—**	1,200
Total borrowings	**16,200**	6,200

(a) Weighted average annual interest rates

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Bank borrowings	**4.35%**	5.22%
Loans from third parties	**10.00%**	3.48%

14 DISCONTINUED OPERATIONS

Lee & Man Development Company Limited ("**Lee & Man**") was sold on 27 December 2019 and is reported in the comparative period as discontinued operations. Financial information relating to the discontinued operations for the comparative period 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.

	For the period from 1 January 2019 to 27 December 2019
	RMB'000
Revenue	**444,751**
Expenses	**(429,246)**
Profit before taxation	**15,505**
Income tax expense	**(2,991)**
Profit after income tax of discontinued operations	**12,514**
Loss on disposal of equity interest in discontinued operations before reclassification of foreign currency translation, net of income tax *(Note 14(b))*	**(39,994)**
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	**(7,637)**
Loss from discontinued operations	**(35,117)**
Other comprehensive income	
Item that may be reclassified subsequently to profit or loss:	
Exchange differences on translation of discontinued operations	**11,295**
Reclassification of foreign currency translation reserve on discontinued operations upon disposal	**7,637**
Other comprehensive income from discontinued operations	**18,932**
Total comprehensive loss from discontinued operations	**(16,185)**
Net cash inflow from operating activities	**23,249**
Net cash outflow from investing activities	**(33,540)**
Exchange losses on cash and cash equivalents	**(1,923)**
Net decrease in cash generated by the subsidiaries	**(12,214)**

(b) Details of the sale of the subsidiaries

On 8 November 2019, the Group entered into a disposal agreement (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 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:

	27 December 2019 *RMB'000*
Consideration satisfied:	
Cash	**2,406**
Add: Amount set off against loans and the respective payable owing by the Group	**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:

	27 December 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**

15 EVENTS AFTER THE BALANCE SHEET DATE

On 2 March 2021, a fund with investment contributed by Shenzhen Country Garden Venture Capital Co., Ltd.* (深圳市碧桂園創新投資有限公司) ("**CGVCAP**") entered into a capital increase agreement (the "**Capital Increase Agreement**") with Guangzhou Yujian Xiaomian Catering Management Company Limited* (廣州遇見小面餐飲管理有限公司) ("**Yujian Xiaomian**", an associate of the Group) and Yujian Xiaomian's existing shareholders (including Wonderful Dawn Holdings Limited* (奇昕控股有限公司) ("**Wonderful Dawn**"), a wholly-owned subsidiary of the Company), in relation to, among other things, capital injection by CGVCAP and additional capital contribution by Wonderful Dawn and certain other existing shareholders in Yujian Xiaomian (the "**Additional Capital Contribution**").

As at the date of this announcement, the transactions contemplated under the Capital Increase Agreement have not been completed. Yujian Xiaomian is a company established under the laws of the People's Republic of China, which is accounted for using the equity method and is held as to 19.5% by the Group as at the date of this announcement. Upon completion of the transactions under the Capital Increase Agreement, Yujian Xiaomian will continue to be accounted for using the equity method, and will be held as to approximately 19.0% by the Group.

FINAL DIVIDEND

The board of directors of the Company has determined not to declare final dividend for the year ended 31 December 2020 (2019: nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total shareholders' equity of the Group as at 31 December 2020 was RMB1,000.7 million (31 December 2019: RMB985.0 million). As at 31 December 2020, the Group had current assets of RMB280.6 million (31 December 2019: RMB318.7 million) and current liabilities of RMB379.1 million (31 December 2019: RMB354.2 million). The current ratio was 0.74 as at 31 December 2020 as compared to 0.90 as at 31 December 2019.

The Group generally finances its operations and possible redemption with internally generated cash flow and convertible bonds issued to shareholder. As at 31 December 2020, the Group had outstanding bank borrowings of RMB15.0 million (31 December 2019: 5.0 million). As at 31 December 2020, the Group maintained bank balances and cash of RMB123.7 million (31 December 2019: RMB131.3 million). The Group's net cash-to-equity ratio (cash and cash equivalents net of total bank borrowings over shareholders' equity) was 0.11 as at 31 December 2020 (31 December 2019: 0.13).

As at 31 December 2020, the Group had outstanding convertible bonds of RMB439.6 million（31 December 2019: RMB448.4 million）. Please refer to Note 12 to the consolidated financial results of the Company in this announcement for further details.

On 13 January 2020, the Company and the Investor entered into the 2020 Investment Agreement pursuant to which the Company agreed to issue and the Investor agreed to subscribe for the convertible bond(s) with an aggregate principal amount of up to HK$780,000,000 (the "**Subscription**"). The 2020 Investment Agreement was approved by the shareholders of the Company at the extraordinary general meeting held on 28 May 2020. Please refer to the announcement of the Company dated 13 January 2020, the circular of the Company dated 27 April 2020 and the poll results of the extraordinary general meeting of the Company dated 28 May 2020 for further details. As at the date of this announcement, completion of the Subscription pursuant to the 2020 Investment Agreement had not taken place.

The Group possesses sufficient cash and available financing facilities to meet its commitments and working capital requirements. Considering the Group's ability to generate net cash inflows from its future operating activities and the Investment Agreement, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements during the 12 months period from 31 December 2020. Based on the above, to the best knowledge of the Directors, the Company expects that it will be able to meet its redemption obligations under the outstanding convertible bonds issued by the Company.

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

CAPITAL COMMITMENTS

As at 31 December 2020, 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 December 2019: nil).

The Group has sufficient cash and ability to obtain banking facilities 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 financial results of the Group in this announcement, no other significant event affecting the Group took place after 31 December 2020 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

The Group had no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

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 as at 31 December 2020.

CHARGE ON ASSETS

As at 31 December 2020, save for the Group's buildings with net book value of RMB23.6 million (31 December 2019: RMB24.1 million) were pledged as securities for the Group's borrowings, there was no other charge over the assets of the Group.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any contingent liabilities (31 December 2019: nil).

GEARING RATIO

As at 31 December 2020, the Group's gearing ratio was 27% (31 December 2019: 27%).

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 2020 (2019: nil).

HUMAN RESOURCES

At 31 December 2020, the Group had a workforce of about 3,352 people (2019: about 4,090 people). The Group maintains a good relationship with its employees, and provides them with proper training and competitive compensation and incentives. The staff are remunerated based on their work performance, professional experience and prevailing market situation. Remuneration packages comprise salary and bonuses based on individual merits. In addition, the Company has adopted a share option scheme on 18 May 2011 and a share award scheme on 11 November 2019 to retain and provide incentives to its Directors, employees and eligible persons, and to recognize their contributions to the Group.

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

During the year ended 31 December 2020, 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 2020.

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 throughout the year ended 31 December 2020.

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 2020 and 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 2020 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's website (www.hkex.com.hk) and the Company's website (http://www.bestfoodholding.com). The annual report of the Company for the year ended 31 December 2020 will be despatched to the shareholders of the Company and will be available on websites of The Stock Exchange of Hong Kong Limited and the Company in due course.

By Order of the Board
Zhao John Huan
Chairman

Hong Kong, 25 March 2021

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