

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

## **BEST FOOD HOLDING COMPANY LIMITED**

**百福控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01488)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **FINANCIAL HIGHLIGHTS**

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	<b>537,510</b>	752,959
Loss for the year	<b>(166,708)</b>	(651,837)
Loss for the year attributable to equity holders of the Company	<b>(156,242)</b>	(639,639)
<b>Loss per share attributable to equity holders of the Company:</b>		
Loss per share (RMB cents) — basic and diluted	<b>(9.90)</b>	(40.52)

\* *For identification purpose only*

## PERFORMANCE REVIEW

Best Food Holding Company Limited (the “**Company**” or “**Best Food**”) and its subsidiaries (collectively the “**Group**”) are principally engaged in the operation of food and beverage business under two brands, including “Xinladao” fish hot pot and “HHG” Chinese fast food. In addition, the Company invested in certain associates for investment return. These associates operate approximately 10 brands, including Sichuan and Chongqing style fast food “Yujian Xiaomian”, “King of Clay Pot” claypot rice, “Seesaw coffee”, “West Master” Chinese bun, “Yuepin” Vietnamese cuisine, “Fook” malatang, “Dafulan” Hunan rice noodles and snacks and “Panda Hot Pot” small hot pot.

In 2022, stringent management and control measures were implemented throughout the year in response to the recurring novel coronavirus (COVID-19) pandemic (the “**Pandemic**”) across the country, which posed significant negative impact on the food and beverage industry. Brands with stores mainly located in first-tier cities were under particularly high pressure. The revenue of the Group was RMB537.5 million in 2022, representing a year-on-year decrease of 28.6% over 2021. Nevertheless, the Group’s total system sales, constituting sales of all restaurants, both owned and franchised under the brands of the Group and its associates, amounted to RMB2,670 million in 2022, representing a year-on-year increase of 5.1% over 2021. As of the end of 2022, the number of stores under all brands of the Group and its associates was 878 with a net increase in newly opened direct-sale stores and franchised stores of over 160. Some of the brands not only realized significant increases in system revenue and number of stores, but also successfully achieved breakthrough in terms of cross-region expansion. Among them, “Yujian Xiaomian” solidified its foothold in the Beijing market and opened stores at transportation hubs in various cities on the basis of further increasing the number of stores in the local market of the Pearl River Delta region; “King of Clay Pot” further refined its single-store model that is suitable for lower-tier cities, hence expanded beyond the regional market of Beijing and established batches of franchised stores in a number of new regions including Jiangsu, Anhui, Zhejiang, Fujian and Sichuan. As of 31 December 2022, the number of stores of King of Clay Pot outside Beijing has exceeded 70; “Seesaw” coffee fully leveraged the brand development momentum accumulated by its offline stores and launched a series of popular coffee retail products. Adopting an integrated online and offline model, the new retail business was carried out through e-commerce platform and community group purchase and has begun to take shape, which helped further enhanced its brand value; “West Master” Chinese bun opened the first overseas store in Canada and generated stable profits. With this foundation for replication and expansion of stores, the brand has also achieved breakthrough in the Southeast Asia market; “Panda Hot Pot”, being a newcomer in the hot pot segment which is still at the initial stage of development, has created a unique hot pot store model for causal socializing through the innovation of both product structure and kitchen workflow. The brand broke new grounds in the Guangdong market by the successive opening of 6 new stores during the period when the Pandemic outbreak was most severe with all these stores achieving single-store profits.

The short-term pressure from the Pandemic has not changed the Group’s strategic goals in the long run. Best Food will stay committed to establishing itself as a “new” digital-based and multi-brand food and beverage platform company.

## **Operational Empowerment**

Franchise empowerment: The Group has established a franchise expansion team to accelerate the cross-region development of enterprises on Best Food's platform by helping them to overcome their bottleneck problems through the development of cross-region and cross-brand franchisors. In 2022, the Group entered into strategic cooperation agreements with a number of national commercial property enterprises, through which it has completed the consolidation of resources as the principal, and established a network of regional multi-brand franchisors in various regions.

Empowerment by traffic flows of multiple channels: During the outbreak of the Pandemic, as dine-in operations were under restriction, the Group actively explored the expansion of business via multiple channels online and offline. In 2022, Best Food developed the intellectual property (IP) matrix of the Group's brand and the IP of the chief executive officer of the Company with the operation of live broadcast and short video contents as the core element. Meanwhile, it actively carried out community marketing for food delivery and launched the group meal business and working meal business, striving to increase the conversion of traffic flows in public sectors to expand the traffic flows in private sectors with its all-out efforts in both online and offline channels. The number of members of the Group, which, in the form of either stored value or loyalty points, increased from approximately 16.0 million at the beginning of the year to approximately 23.0 million.

## **Digital Empowerment**

In 2022, the digital team of Best Food constructed certain systems, aiming to realize synergy of customer flows among multiple brands at Group level, consolidate the resources of cooperating parties and enhance its data mining and utilization ability, thereby giving better play to the value of Best Food's platform.

Firstly, in 2022, the self-built digital team of the Group completed the proprietary development of the smart cashier system, the order-via-mobile-app system and the membership customer management system, and completed the launch of its major brands for operation on such platforms, which was gradually applied to various brands of the Group, thereby forming an integrated system that connects the whole platform.

Secondly, the intelligent delivery system has been preliminarily formed. The data dashboard may present comparisons between data and indicators of various brands and various food delivery platforms horizontally, which provided timely support for operational decision-making.

Thirdly, the preliminary big data system for franchise operation was completed, which realized the modular management of key stages of franchise business of various brands from clues collection, progress tracking, business negotiation, contracting and fund transfers to follow up on feedback of franchisors, so that the whole process is controllable online. This not only can provide sufficient support for franchisors, but also satisfied their demand for highly efficient management resulting from the growing scale of the franchise businesses.

Lastly, the Group also commenced the development of big data middle platform and Business Intelligence (BI) analysis system, marking the beginning of the construction of its intelligent data platform.

### **Investment Empowerment**

In 2022, Best Food completed two rounds of angel investment, including the hot pot-stewed brand “Zhao Cai Feng Zhao” (召才鳳爪) and the small hot pot brand “Panda Hot Pot” (熊貓燙).

In recent years, Best Food has established a multi-brand investment matrix based on cross-region, cross-sector and multiple business forms. The increase in the valuation of associates invested by the Group has contributed to significant value enhancement of Best Food. However, according to Hong Kong Accounting Standard 28 “Investments in Associates and Joint Ventures”, the investments in associates are accounted for using the equity method (instead of the fair value approach). Therefore, the contribution of the abovementioned increase in valuation was not reflected in the statement of comprehensive income of Best Food. In 2021, Best Food realised part of the profit from the disposal of a small amount of investment in associates, proving the satisfactory results achieved from investment empowerment. In 2022, Best Food continues to hold the equity interest in associates, and remains confident in the long-term growth of its brand value.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Revenue**

Revenue of the Group decreased by 28.6% from RMB753.0 million for the year ended 31 December 2021 to RMB537.5 million for the corresponding period of 2022, among which revenue from restaurant operations decreased by 43.6% from RMB500.9 million for the year ended 31 December 2021 to RMB282.5 million for the corresponding period of 2022, which was mainly attributable to the decline in sales as some restaurants were closed or unable to provide dine-in services due to the impact of the Pandemic during the reporting period. Revenue from delivery business remained stable at RMB206.1 million for the year ended 31 December 2021 and RMB207.9 million for the corresponding period of 2022.

### **Raw material used and changes in inventories of finished goods**

Raw material used and changes in inventories of finished goods decreased by 27.7% from RMB288.0 million for the year ended 31 December 2021 to RMB208.1 million for the corresponding period of 2022, which was mainly attributable to the disrupted restaurant operations caused by the Pandemic. Raw material used and changes in inventories of finished goods as a percentage of revenue were 38.2% for the year ended 31 December 2021 and 38.7% for the corresponding period of 2022, respectively.

### **Online platform service charges and delivery fees**

Online platform service charges and delivery fees increased by 4.0% from RMB37.1 million for the year ended 31 December 2021 to RMB38.6 million for the corresponding period of 2022. Online platform service charges and delivery fees as a percentage of revenue from delivery business increased from 18.0% for the year ended 31 December 2021 to 18.6% for the year ended 31 December 2022, which was mainly contributed by the increase of service charge rate by online platform during the reporting period.

### **Employee benefit expense**

Employee benefit expense decreased by 20.6% from RMB217.9 million for the year ended 31 December 2021 to RMB173.0 million for the corresponding period of 2022, which was mainly attributable to the decrease in staff working hours during the lockdown of cities due to the Pandemic. Employee benefit expense as a percentage of revenue increased from 28.9% for the year ended 31 December 2021 to 32.2% for the corresponding period of 2022, which was mainly attributable to the decrease in revenue during the reporting period.

### **Depreciation of right-of-use assets**

Depreciation of right-of-use assets decreased by 18.1% from RMB103.4 million for the year ended 31 December 2021 to RMB84.7 million for the corresponding period of 2022, which was mainly due to the closure of certain underperforming restaurants in 2022. Depreciation of right-of-use assets as a percentage of revenue increased from 13.7% for the year ended 31 December 2021 to 15.8% for the corresponding period of 2022, which was mainly attributable to the decrease in revenue during the reporting period.

### **Depreciation and amortisation of other assets**

Depreciation and amortisation of other assets decreased by 33.0% from RMB41.2 million for the year ended 31 December 2021 to RMB27.6 million for the corresponding period of 2022. Depreciation and amortisation of other assets as a percentage of revenue decreased from 5.5% for the year ended 31 December 2021 to 5.1% for the corresponding period of 2022, which was mainly due to the closure of certain underperforming restaurants and disposal of underlying assets with lower revenue contribution in 2022.

### **Property rentals and other related expenses**

Property rentals and other related expenses decreased by 41.8% from RMB32.3 million for the year ended 31 December 2021 to RMB18.8 million for the corresponding period of 2022, which was mainly attributable to the COVID-19-related rent concessions received and the decrease in property management fees as a result of the closure of some restaurants during the reporting period. Property rentals and other related expenses as a percentage of revenue decreased from 4.3% for the year ended 31 December 2021 to 3.5% for the corresponding period of 2022.

## **Other expenses**

Other expenses decreased by 42.5% from RMB95.8 million for the year ended 31 December 2021 to RMB55.1 million for the corresponding period of 2022, which was attributable to the restricted operating activities as affected by the Pandemic control measures and mainly reflected (i) the decrease in daily maintenance expenses of RMB7.6 million; and (ii) the decrease in advertising costs of RMB7.3 million. In addition, there was also a decrease in impairment of property, plant and equipment of RMB13.2 million as a result of the closure of certain underperforming restaurants (for which an impairment loss was recognised in 2021) during the reporting period. Other expenses as a percentage of revenue decreased from 12.7% for the year ended 31 December 2021 to 10.3% for the corresponding period of 2022.

## **Finance expenses — net**

Finance expenses — net (which includes finance income, finance expenses and interest on convertible bonds) increased by 8.1% from RMB48.0 million for the year ended 31 December 2021 to RMB51.9 million for the corresponding period of 2022, which was mainly attributable to the increase in interest on convertible bonds and partially offset by the decrease in interest on lease liabilities as a result of the closure of some restaurants during the reporting period.

## **Income tax credit**

Income tax credit amounted to RMB13.8 million for the year ended 31 December 2021, as compared to RMB15.5 million for the corresponding period of 2022, which was mainly attributable to the increase in losses that can be carried forward in future years.

## **Loss for the year attributable to equity holders of the Company**

The Group recorded a loss for the year attributable to equity holders of the Company of approximately RMB156.2 million, as compared to loss attributable to equity holders of the Company of RMB639.6 million for the year ended 31 December 2021. Such decrease in loss was mainly attributable to the impairment loss on goodwill and other intangible assets recognised by the Group in 2021, whereas there was no such loss in 2022.

## Non-GAAP Financial Measure

### *Adjusted loss for the year*

The adjusted loss for the year is an additional financial measure, which is not required by, or presented in accordance with the HKFRS. It is calculated as the loss for the year excluding interest on convertible bonds, gain or loss on fair value change on derivative financial instrument and impairment of goodwill and other intangible assets. The table below sets forth the reconciliation of loss for the year to adjusted loss for the year:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Loss for the year</b>	<b>(166,708)</b>	(651,837)
Interest on convertible bonds	<b>39,971</b>	32,765
Loss on fair value change on derivative financial instrument	<b>23,754</b>	47,375
Impairment of goodwill and other intangible assets	<u>—</u>	<u>566,455</u>
<b>Adjusted loss for the year</b>	<b><u>(102,983)</u></b>	<b><u>(5,242)</u></b>

The Group uses such unaudited adjusted loss as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with HKFRS and to evaluate the financial performance of the Group by excluding the impact of certain non-operating, unusual and/or non-recurring items which the Group does not consider to be indicative of the operating performance of the Group.

Such unaudited non-GAAP financial measure has limitation as an analytical tool, and should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS. This non-GAAP financial measure may be defined differently from similar terms used by other companies. The Group's presentation of this non-GAAP financial measure should not be construed as an inference that the Group's future results will be unaffected by these items.

### **Right-of-use assets**

Under HKFRS 16 Lease (“**HKFRS 16**”), the Group recognised right-of-use assets with respect to its property leases. The right-of-use assets are depreciated over the leasing term or the useful life of the underlying asset, whichever the shorter. As of 31 December 2022, the Group recognised right-of-use assets with an amount of RMB188.4 million (as of 31 December 2021: RMB274.0 million).

## **Inventories**

Inventories mainly represented the food ingredients used in restaurant operation. Inventories decreased from RMB35.2 million as of 31 December 2021 to RMB24.2 million as of 31 December 2022. For the years ended 31 December 2021 and 2022, the turnover days of inventories, which equals to the average inventory at the beginning of the year and that at the end of the year divided by the costs of raw materials and consumables during the same year and multiplied by 365 days, increased from 43 days to 52 days, which was mainly due to the impact of the Pandemic on restaurant operations, and thereby slowed down the inventory turnover speed.

## **Derivative financial instrument**

Derivative financial instrument was RMB22.5 million as of 31 December 2021, such derivative financial instrument had been derecognised as of 31 December 2022 as a result of the expiry of the put option on 28 May 2022 in relation to issuance of convertible bonds.

## **Trade and other receivables**

Trade and other receivables decreased by 9.9% from RMB100.2 million as of 31 December 2021 to RMB90.3 million as of 31 December 2022, among which, other receivables decreased by 9.1% from RMB84.7 million as of 31 December 2021 to RMB77.0 million as of 31 December 2022, which was mainly attributable to lease deposits recovered from the termination of leases for some stores.

## **Trade and other payables**

Trade and other payables decreased from RMB178.8 million as of 31 December 2021 to RMB168.0 million as of 31 December 2022, among which, trade payables decreased from RMB59.2 million as of 31 December 2021 to RMB53.9 million as of 31 December 2022, and the turnover days of trade payables increased from 82 days for the year ended 31 December 2021 to 99 days for the corresponding period of 2022, which was attributable to the decrease in the cost of materials consumed as a result of the decline in sales during the reporting period.

## **Borrowings**

As of 31 December 2022, the Group had short-term borrowings of RMB14.8 million (as of 31 December 2021: RMB15.0 million), among which borrowings of RMB3.8 million (as of 31 December 2021: RMB5.0 million) were secured by fixed assets of the Group.

## **Convertible bonds**

As of 31 December 2022, convertible bonds and related interests totalled RMB548.4 million, representing an increase of RMB46.3 million as compared to RMB502.1 million as of 31 December 2021. On 19 December 2022, the maturity date of the convertible bonds was extended from 23 November 2023 to 23 November 2025 in accordance with the notice from the bondholder. The increase in convertible bonds as of 31 December 2022 was mainly attributable to the increase of interest



incurred and the effect of change in exchange rate during the year ended 31 December 2022, which was partially offset by the decrease in carrying amount of convertible bonds as a result of the extension of the maturity date. Please refer to Note 16 to the consolidated financial results of the Company in this announcement for further details.

### **Lease liabilities**

As of 31 December 2022, the total lease liabilities amounted to RMB218.2 million, representing a decrease of 23.2% as compared to RMB284.1 million as of 31 December 2021. Such decrease in lease liabilities was mainly attributable to the rent payment for existing lease and the closure of certain restaurants during the year ended 31 December 2022.

### **FUTURE PROSPECTS**

In late December 2022, there were major adjustments to the Pandemic containment measures. The Group also unveiled a clearer picture of the resilience and potential for long-term growth of the food and beverage industry during the Pandemic outbreak, and will continue to develop its capabilities in the following aspects in a bid to improve its results performance and create value for its shareholders:

- (i) Develop and better serve the franchisors;
- (ii) Enhance its digital development and operation capabilities; and
- (iii) Facilitate the increase in values of brands and enterprises invested by the Group, push ahead with the development of the investment businesses carefully and retreat at appropriate times, so as to contribute profits to the Company.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 together with comparative figures for the year ended 31 December 2021 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
		<b>RMB'000</b>	<b>RMB'000</b>
Revenue	3	<b>537,510</b>	752,959
Other income	4	<b>9,874</b>	18,085
Raw material used and changes in inventories of finished goods		<b>(208,106)</b>	(288,031)
Online platform service charges and delivery fees		<b>(38,614)</b>	(37,098)
Employee benefit expense		<b>(172,984)</b>	(217,944)
Depreciation of right-of-use assets		<b>(84,694)</b>	(103,406)
Depreciation and amortisation of other assets		<b>(27,602)</b>	(41,235)
Utility expenses		<b>(19,146)</b>	(29,664)
Property rentals and other related expenses		<b>(18,836)</b>	(32,281)
Other expenses	5	<b>(55,118)</b>	(95,842)
Provision for of expected credit loss allowance for financial assets, net		<b>(6,766)</b>	(6,518)
Impairment of goodwill and other intangible assets	11	—	(566,455)
Other losses, net	6	<b>(2,191)</b>	(3,656)
Finance income		<b>130</b>	144
Finance expenses		<b>(12,016)</b>	(15,338)
Interest on convertible bonds		<b>(39,971)</b>	(32,765)
Loss on fair value change on derivative financial instrument	12	<b>(23,754)</b>	(47,375)
Gain on partial disposal and dilution of investments in associates	7	—	82,041
Share of (loss)/profit of associates		<b>(19,895)</b>	1,565
Impairment losses on investments in an associate		—	(2,871)
<b>Loss before taxation</b>		<b>(182,179)</b>	(665,685)
Income tax credit	8	<b>15,471</b>	13,848
<b>Loss for the year</b>	9	<b>(166,708)</b>	(651,837)
<b>Loss for the year attributable to:</b>			
Equity holders of the Company		<b>(156,242)</b>	(639,639)
Non-controlling interest		<b>(10,466)</b>	(12,198)
		<b>(166,708)</b>	(651,837)

		<b>Year ended 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Other comprehensive loss</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(23,839)	2,143
<i>Item that may not be reclassified subsequently to profit or loss:</i>			
Change in fair value of an equity investment at fair value through other comprehensive income		<u>(819)</u>	<u>(3,000)</u>
Other comprehensive loss for the year, net of tax		<u>(24,658)</u>	<u>(857)</u>
Total comprehensive loss for the year		<u><b>(191,366)</b></u>	<u><b>(652,694)</b></u>
<b>Total comprehensive loss for the year attributable to:</b>			
— Equity holders of the Company		(180,757)	(640,496)
— Non-controlling interests		<u>(10,609)</u>	<u>(12,198)</u>
		<u><b>(191,366)</b></u>	<u><b>(652,694)</b></u>
<b>Loss per share for loss attributable to equity holders of the Company:</b>			
Loss per share (RMB cents) — basic	<i>10</i>	<u><b>(9.90)</b></u>	<u><b>(40.52)</b></u>
Loss per share (RMB cents) — diluted	<i>10</i>	<u><b>(9.90)</b></u>	<u><b>(40.52)</b></u>

## CONSOLIDATED BALANCE SHEET

At 31 December 2022

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		80,140	99,195
Right-of-use assets		188,381	274,017
Investments in associates		249,104	240,538
Goodwill	11	45,495	45,495
Intangible assets	11	472,806	474,505
Derivative financial instrument	12	—	22,543
Deferred tax assets		61,368	45,850
Other receivables	13	17,727	24,255
Financial assets at fair value through other comprehensive income		—	2,000
Other non-current assets		<u>1,843</u>	<u>951</u>
		<b>1,116,864</b>	<b>1,229,349</b>
<b>Current assets</b>			
Inventories		24,211	35,235
Trade and other receivables	13	72,610	75,974
Other current assets		27,146	58,389
Financial assets at fair value through profit or loss		66,721	57,817
Cash and cash equivalents		34,097	62,571
Restricted cash		<u>1,707</u>	<u>961</u>
		<b>226,492</b>	<b>290,947</b>
<b>Total assets</b>		<b><u>1,343,356</u></b>	<b><u>1,520,296</u></b>

		<b>As at 31 December</b>	
		<b>2022</b>	<b>2021</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current liabilities</b>			
Trade and other payables	14	<b>167,980</b>	178,842
Contract liabilities		<b>62,979</b>	63,874
Lease liabilities		<b>72,216</b>	95,848
Borrowings	15	<b>14,820</b>	15,000
Tax payable		<b>5,213</b>	5,582
Convertible bonds — interest payable due within one year	16	<b>16,366</b>	59,801
		<u><b>339,574</b></u>	<u>418,947</u>
<b>Non-current liabilities</b>			
Convertible bonds	16	<b>532,024</b>	442,267
Lease liabilities		<b>145,946</b>	188,270
Deferred tax liabilities		<b>114,021</b>	114,021
Deferred government grants		<b>1,183</b>	1,380
		<u><b>793,174</b></u>	<u>745,938</u>
<b>Total liabilities</b>		<u><b>1,132,748</b></u>	<u>1,164,885</u>
<b>Capital and reserves</b>			
Share capital		<b>133,023</b>	133,023
Reserves		<b>19,777</b>	153,971
Equity attributable to equity holders of the Company		<b>152,800</b>	286,994
Non-controlling interests		<b>57,808</b>	68,417
<b>Total equity</b>		<u><b>210,608</b></u>	<u>355,411</u>
<b>Total liabilities and equity</b>		<u><b>1,343,356</b></u>	<u>1,520,296</u>

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 address 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 results are presented in Renminbi (“**RMB**”), unless otherwise stated.

During the year ended 31 December 2022, the COVID-19 pandemic has resulted in a continuous impact on the Group’s operations in 2022. 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 results 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 results 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 results 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 and derivative financial instrument, which are measured at fair value.

The preparation of financial results 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 2022, the Group’s current liabilities exceeded its current assets by RMB113,082,000. 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, the directors of the Company believe that adequate funding is available to fulfill the Group’s debt obligations and capital expenditure requirements for the next 12 months period commencing from 31 December 2022. Therefore, the financial results 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 amendments or annual improvements for the first time for their annual reporting period commencing 1 January 2022:

Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRS Standards 2018–2020	
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

### 2.1.4 New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published but are not mandatory for 31 December 2022 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 3 REVENUE AND SEGMENT INFORMATION

The Company's executive directors are the chief operating decision maker (the "CODM"). The CODM periodically reviews the Group's internal report in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

During the years ended 31 December 2022 and 2021, the CODM focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented.

### Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Restaurant operation	282,544	500,903
Delivery business	207,935	206,103
Sale of food ingredients	47,031	45,953
	<u>537,510</u>	<u>752,959</u>

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.

The Group has a large number of customers. For the years ended 31 December 2022 and 2021, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

#### 4 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Franchise income	4,905	6,182
Investment income on wealth management products (a)	1,706	1,684
Government grants (b)	1,645	4,331
Interest income on loans	222	969
Management service income (c)	—	2,976
Others	1,396	1,943
	<u>9,874</u>	<u>18,085</u>

*Notes:*

- (a) For the year ended 31 December 2022, investment income on wealth management products includes realized gains of RMB1,199,000 (2021: RMB1,616,000) and unrealized gains of RMB507,000 (2021: RMB68,000), both of which are recorded as “other income” in the consolidated statements of comprehensive income.
- (b) For the year ended 31 December 2022, there are no unfulfilled conditions or other contingencies attaching to these government grants. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.
- (c) 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 EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Daily maintenance expenses	14,454	22,054
Business development expense	10,357	15,328
Advertising and marketing expenses	8,349	15,622
Professional fees	6,057	9,611
Impairment of right-of-use assets	3,373	—
Impairment of property, plant and equipment	748	13,908
Auditors' remuneration		
— Audit services	1,990	2,300
— Non-audit services	163	324
Other expenses	9,627	16,695
	<u>55,118</u>	<u>95,842</u>



## 6 OTHER LOSSES, NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Gain on disposal of right-of-use assets	2,522	4,892
Loss on disposal of property, plant and equipment	(2,664)	(6,269)
Loss on closure of restaurants — net	(1,528)	(2,589)
Net exchange gain	309	1,506
Others	(830)	(1,196)
	<u>(2,191)</u>	<u>(3,656)</u>

## 7 GAIN ON PARTIAL DISPOSAL AND DILUTION OF INVESTMENTS IN ASSOCIATES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net gains on partial disposal of investments in associates (a)	—	61,851
Net gains on dilution of investments in associates (b)	—	20,190
	<u>—</u>	<u>82,041</u>

During the year ended 31 December 2022, the Group did not recognize any gain on partial disposal and dilution of investments in associates.

During the year ended 31 December 2021, the amounts recognized in the consolidated statement of comprehensive income included:

- (a) The amount of RMB61,851,000 represented the gains on partial disposal of the Group's investments in certain associates including Guangzhou Yujian Xiaomian Catering Management Company Limited (廣州遇見小麵餐飲管理有限公司) (“**Yujian Xiaomian**”) and Shanghai Seesaw Coffee Company Limited (上海西舍咖啡有限公司) (“**Seesaw**”). Upon completion of the above disposal, Yujian Xiaomian and Seesaw continued to be accounted for as associates of the Group.
- (b) The amount of RMB20,190,000 represented the dilution gain on the Group's investments in certain associates as a result of the issuance of new shares by the associates to certain investors. For each transaction, the Group recognized the increase in its share of net assets after the issuance of new shares by the associates (net of dilution impact) as a dilution gain in the consolidated statement of comprehensive income.

## 8 INCOME TAX CREDIT

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
Hong Kong profits tax	—	—
Withholding income tax in relation to gains on partial disposal of investments in associates	—	6,211
PRC enterprise income tax (“EIT”)	<u>47</u>	<u>—</u>
	47	6,211
Deferred tax	<u>(15,518)</u>	<u>(20,059)</u>
	<u>(15,471)</u>	<u>(13,848)</u>

### 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%. (2021: 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.

### Withholding income tax

During the year ended 31 December 2021, Wonderful Dawn Holdings Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong, disposed certain interests in associates (Note 7(a)). The taxable income on such disposals (being the difference of the consideration and the proportion of investment costs disposed of) is subject to withholding tax at the rate of 10%.

## 9 LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging/(crediting):

	For the Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Depreciation of right-of-use assets	84,694	103,406
Depreciation of property, plant and equipment	26,138	39,831
Amortization of intangible assets	<u>1,464</u>	<u>1,404</u>
Total depreciation and amortization	<u>112,296</u>	<u>144,641</u>
Property rentals		
— office premises (fixed payments)	442	1,627
— restaurants		
— fixed payments	7,033	9,231
— variable lease payments	1,991	1,824
— COVID-19-related rent concessions	(5,890)	(921)
Property management fee	<u>15,260</u>	<u>20,520</u>
Total property rentals and other related expenses	<u>18,836</u>	<u>32,281</u>
Impairment of goodwill and other intangible assets (Note 11)	—	566,455
Auditor's remuneration		
— Audit service	1,990	2,300
— Non-audit services	<u>163</u>	<u>324</u>

## 10 LOSS PER SHARE

	Year ended 31 December	
	2022	2021
	RMB cents	RMB cents
Basic loss per share (a)	<u>(9.90)</u>	<u>(40.52)</u>
Diluted loss per share (b)	<u>(9.90)</u>	<u>(40.52)</u>

**(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.

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
Loss attributable to equity holders of the Company used in calculating basic loss per share (RMB in thousands):	<b>(156,242)</b>	(639,639)
Weighted average number of ordinary shares in issue (thousands)	<b><u>1,578,664</u></b>	<u>1,578,664</u>

**(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 2022 and 2021 did not assume the issuance of any dilutive potential ordinary share since they are antidilutive, which would decrease loss per share.

## 11 GOODWILL AND INTANGIBLE ASSETS

	<b>Goodwill</b> <i>RMB'000</i>	<b>Computer software</b> <i>RMB'000</i>	<b>Trademark</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2021				
Cost	580,931	11,101	499,346	1,091,378
Accumulated amortisation and impairment	<u>—</u>	<u>(4,684)</u>	<u>—</u>	<u>(4,684)</u>
Net book amount	<u><u>580,931</u></u>	<u><u>6,417</u></u>	<u><u>499,346</u></u>	<u><u>1,086,694</u></u>
Year ended 31 December 2021				
Opening net book amount	580,931	6,417	499,346	1,086,694
Additions	—	1,318	—	1,318
Disposal	—	(153)	—	(153)
Amortisation charge	—	(1,404)	—	(1,404)
Impairment	<u>(535,436)</u>	<u>—</u>	<u>(31,019)</u>	<u>(566,455)</u>
Closing net book amount	<u><u>45,495</u></u>	<u><u>6,178</u></u>	<u><u>468,327</u></u>	<u><u>520,000</u></u>
At 31 December 2021				
Cost	580,931	12,266	499,346	1,092,543
Accumulated amortisation and impairment	<u>(535,436)</u>	<u>(6,088)</u>	<u>(31,019)</u>	<u>(572,543)</u>
Net book amount	<u><u>45,495</u></u>	<u><u>6,178</u></u>	<u><u>468,327</u></u>	<u><u>520,000</u></u>
Year ended 31 December 2022				
Opening net book amount	45,495	6,178	468,327	520,000
Additions	—	104	—	104
Disposal	—	(339)	—	(339)
Amortisation charge	<u>—</u>	<u>(1,464)</u>	<u>—</u>	<u>(1,464)</u>
Closing net book amount	<u><u>45,495</u></u>	<u><u>4,479</u></u>	<u><u>468,327</u></u>	<u><u>518,301</u></u>
At 31 December 2022				
Cost	580,931	12,031	499,346	1,092,308
Accumulated amortisation and impairment	<u>(535,436)</u>	<u>(7,552)</u>	<u>(31,019)</u>	<u>(574,007)</u>
Net book amount	<u><u>45,495</u></u>	<u><u>4,479</u></u>	<u><u>468,327</u></u>	<u><u>518,301</u></u>

**(a) Useful life of intangible assets**

Computer software is amortised on a straight-line basis over the expected useful life of 5 years.

The trademarks have a legal life of 10 years and is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends and brand extension opportunities have been performed by management of the Group, which support that the trademarks have no foreseeable limit to the period over which the trademarked products are expected to generate net cash flows for the Group.

As a result, the trademarks are considered by the management of the Group as having an indefinite useful life. The trademarks will not be amortised until the useful life is determined to be finite. Instead they will be tested for impairment annually and whenever there is an indication that they may be impaired.

**(b) Impairment tests for goodwill and trademarks**

For the purposes of impairment testing, goodwill and trademarks with indefinite useful life have been allocated to the CGUs of the relevant group of restaurants, which comprise: (1) Beijing HHG Restaurant Management Co., Ltd. (“**HHG**”) and its subsidiaries (the “**HHG Group**”); and (2) Beijing Xinladao Catering Management Ltd. (“**Xinladao**”) and its subsidiaries (the “**Xinladao Group**”).

Due to the continuous impact on macroeconomic conditions brought by the outbreak of COVID-19, the operating results of the HHG Group and the Xinladao Group for the year ended 31 December 2022 were below the management’s previous forecasts.

As at 31 December 2022, management has conducted impairment review on the goodwill and trademarks with indefinite useful life of the HHG Group and the Xinladao Group in accordance with HKAS 36 “Impairment of assets”, based on the updated forecasts and assumptions approved by management.

**(i) Impairment assessment for the HHG Group**

For the HHG Group, the recoverable amount of the CGUs has been determined based on a value-in-use calculation. The calculation uses cash flow projections based on financial forecast approved by management covering a five-year period.

Management engaged an independent external valuer to assist in performing the impairment assessments. Based on management’s calculation, the recoverable amount of the HHG Group as at 31 December 2022 amounted to approximately 432 million (2021: 500 million), which was 25.7% (2021: 18%), higher than its carrying amount. Key assumptions used to determine the CGUs’ value-in-use were as follows:

	Value assigned to key assumption		Approach to determining key assumption
	2022	2021	
Revenue (% compound growth rate)	<b>13.8%</b>	12.7%	Forecasted revenue growth rates and gross margins were determined based on past performance and the management’s expectations for the market development.
Gross margins	<b>45.3%</b>	45.8%	
Long-term growth rate	<b>3%</b>	3%	Estimated based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.
Pre-tax discount rates	<b>16.0%</b>	15.9%	Reflect specific risks relating to the relevant segment and the country in which the HHG Group operates.

*Impact of possible changes in key assumptions*

- If the compound revenue growth rates used in the value-in-use calculation for the HHG Group had been 3.3% lower than management’s estimates at 31 December 2022 (10.5% instead of 13.8%), the value-in-use of the HHG Group would approximate its carrying amount.
- If the gross margins used in the value-in-use calculation for the HHG Group had been 2% lower than management’s estimates at 31 December 2022 (43.3% instead of 45.3%), the value-in-use of the HHG Group would approximate its carrying amount.
- If the pre-tax discount rate applied to the cash flow projections of the HHG Group had been 4% higher than management’s estimates (20% instead of 16%), the value-in-use of the HHG Group would approximate its carrying amount.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

Based on above assessment, management of the Company are of the view that there is no impairment of goodwill and intangible assets with indefinite useful life for the HHG Group as at 31 December 2022.

**(ii) Impairment assessment for the Xinladao Group**

For the Xinladao Group, management has determined the recoverable amount of the CGUs by assessing the fair value less cost of disposal (“FVLCO”) of the underlying assets. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Management engaged an independent external valuer to assist in performing the impairment assessments. The approach and key assumptions used to determine the CGUs' FVLCOB were as follows:

Valuation Technique	Unobservable inputs	Value assigned to key assumption		Approach to determining key assumption
		2022	2021	
Market approach	Enterprise value/sales multiple (times)	<b>1.39</b>	1.26	As at 31 December 2022 and 2021, the enterprise value/sales multiples represent the respective median of the enterprise value/sales multiples of the same group of selected comparable public companies (each of which is engaged in the catering business and listed on the Stock Exchange) as at the end of the reporting period.
	Discount for lack of marketability (“DL0M”)	<b>25%</b>	25%	Quantified by the Black-Scholes option pricing model which is one of the methods commonly used in estimating DL0M.
	Control premium	<b>10%</b>	10%	Estimated based on the median of the control premium adopted for comparable transactions.
	Cost of disposal (% of fair value)	<b>1%</b>	1%	Estimated based on the Company's experience with disposal of assets and on industry benchmarks.

Based on the above approach and key assumptions, the FVLCOB of the Xinladao Group amounted to RMB249 million (2021: RMB283 million) and was 11.1% higher than its carrying amount.

*Impact of possible changes in key assumptions*

- If the enterprise value/sales multiple used in the FVLCOB calculation for the Xinladao Group had been 0.14 times lower than management's estimates at 31 December 2022 (1.25 times instead of 1.39 times), the FVLCOB of the Xinladao Group would approximate its carrying amount.
- If the DL0M used in the FVLCOB calculation for the Xinladao Group had been 7.5% higher than management's estimates at 31 December 2022 (32.5% instead of 25%), the FVLCOB of the Xinladao Group would approximate its carrying amount.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

Based on above assessment, management of the Company are of the view that there is no impairment of goodwill and intangible assets with indefinite useful life for the Xinladao Group as at 31 December 2022.



*Impairment loss recognized for the year ended 31 December 2021*

As at 31 December 2021, the FVLCOB of the Xinladao Group amounted to RMB283 million and was lower than its carrying amount. As a result, management's impairment assessment as at 31 December 2021 was analysed as follows:

	31 December 2021 RMB'000
Goodwill (attributable to the 87% parent's interest)	535,436
Unrecognised non-controlling interest in goodwill ( <i>Note 1</i> )	<u>80,008</u>
Total goodwill	615,444
Carrying amount of identifiable net assets	<u>314,019</u>
Notionally adjusted carrying amount	<u><u>929,463</u></u>
Less: recoverable amount (being the FVLCOB)	<u>(283,000)</u>
<b>Impairment loss</b>	<u><u>646,463</u></u>
Allocated to:	
<i>Amounts not recognised in the consolidated statement of comprehensive income:</i>	
— Unrecognised non-controlling interest in goodwill	80,008
<i>Amounts recognised in the consolidated statement of comprehensive income:</i>	
— Goodwill (attributable to the 87% parent's interest)	535,436
— Trademarks with indefinite useful life ( <i>Note 2</i> )	<u>31,019</u>
Total amount recognised in the consolidated statement of comprehensive income	<u>566,455</u>
<b>Total impairment loss</b>	<u><u>646,463</u></u>

*Notes:*

1. The goodwill attributable to the Group's interest of 87% was approximately RMB535 million at the acquisition date. Therefore, the goodwill attributable to the non-controlling interest's 13% interest was approximately RMB80 million.
2. Management allocates the remaining impairment loss of approximately RMB31 million to trademarks with indefinite life and no impairment loss is allocated to other non-monetary assets of the CGUs (mainly including property, plant and equipment, and right-of-use assets), because management is of the view that the fair value less costs of disposal or value in use is greater than the respective original carrying value of these assets.

## 12 DERIVATIVE FINANCIAL INSTRUMENT

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
As at 1 January	22,543	72,226
Fair value change	(23,754)	(47,375)
Exchange difference	<u>1,211</u>	<u>(2,308)</u>
As at 31 December	<u>—</u>	<u>22,543</u>

On 13 January 2020, the Company and United Strength Victory Limited (the “**2020 Investor**”, a related party of the Company) 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 2020 Investor requesting the 2020 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 recognized 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 recognized in profit or loss.

The Company did not exercise the put option which expired on 28 May 2022. As a result, the derivative financial instrument was derecognized upon expiry, with a fair value change of RMB23,754,000 recognized in the consolidated statement of comprehensive income for the year ended 31 December 2022.

### 13 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (a)	13,737	15,929
Other receivables	<u>89,743</u>	<u>90,899</u>
Total trade and other receivables	<u><b>103,480</b></u>	<u><b>106,828</b></u>
Less: provision for expected credit loss allowance for trade receivables	(361)	(406)
provision for expected credit loss allowance for other receivables	<u>(12,782)</u>	<u>(6,193)</u>
Trade and other receivables — net	<u><b>90,337</b></u>	<u><b>100,229</b></u>
Including:		
<b>Current portion</b>		
Trade receivables — net	13,376	15,523
Other receivables — net	<u>59,234</u>	<u>60,451</u>
	<u><b>72,610</b></u>	<u><b>75,974</b></u>
<b>Non-current portion</b>		
Other receivables — net	<u>17,727</u>	<u>24,255</u>
Trade and other receivables — net	<u><b>90,337</b></u>	<u><b>100,229</b></u>

#### (a) Trade receivables

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	934	470
Third parties	<u>12,803</u>	<u>15,459</u>
Subtotal	13,737	15,929
Less: provision for expected credit loss allowance	<u>(361)</u>	<u>(406)</u>
Trade receivables — net	<u><b>13,376</b></u>	<u><b>15,523</b></u>

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	11,500	12,237
Over 6 months	<u>2,237</u>	<u>3,692</u>
	<u><b>13,737</b></u>	<u><b>15,929</b></u>

*Movement for expected credit loss allowance*

	<b>During the year ended</b>	
	<b>31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January	406	309
Provision for expected credit loss allowance	177	101
Written off during the year as uncollectible	(222)	(4)
	<u>406</u>	<u>309</u>
As at 31 December	<u><b>361</b></u>	<u><b>406</b></u>

**14 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.

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables (a)	53,855	59,166
Other payables and accruals	114,125	119,676
	<u>167,980</u>	<u>178,842</u>

**(a) Trade payables**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	7,604	6,608
Third parties	46,251	52,558
	<u>53,855</u>	<u>59,166</u>

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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	52,565	57,473
Over 6 months	1,290	1,693
	<u>53,855</u>	<u>59,166</u>

## 15 BORROWINGS

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current</b>		
<i>Secured</i>		
Bank borrowings (c)	<u>3,820</u>	<u>5,000</u>
<i>Guaranteed</i>		
Bank borrowings (d)	<u>1,000</u>	<u>—</u>
<i>Unsecured and unguaranteed</i>		
Bank borrowings	<u>10,000</u>	<u>10,000</u>

### (a) Maturity of borrowings

At 31 December, the Group's borrowings were repayable as follows:

	<b>Bank borrowings</b>	
	<b>2022</b>	2021
	<i>RMB'000</i>	<i>RMB'000</i>
12 months or less	<u>14,820</u>	<u>15,000</u>

### (b) Weighted average annual interest rates

	<b>As at 31 December</b>	
	<b>2022</b>	2021
Bank borrowings	<b>4.01%</b>	4.35%

(c) As at 31 December 2022, bank borrowings of RMB3,820,000 (31 December 2021: RMB5,000,000) were secured by certain property, plant and equipment of the Group.

(d) As at 31 December 2022, bank borrowings of RMB1,000,000 were guaranteed by a third party (31 December 2021: nil).

## 16 CONVERTIBLE BONDS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
<b>Current</b>		
Convertible bonds — interest payable due within one year	<u>16,366</u>	<u>59,801</u>
<b>Non-current</b>		
Convertible bonds	<u>532,024</u>	<u>442,267</u>

As at 31 December 2021, current portion of the convertible bonds (the “**Convertible Bonds**”) issued by the Company to Sonic Tycoon Limited (the “**Investor**”) amounted to HK\$73,402,000 (equivalent to approximately RMB59,801,000), which represented interest payable accrued from 23 November 2018 to 23 November 2022 at the coupon rate of 3% per annum, which was due within one year since 31 December 2021 (the “**2022 Due Interest**”).

On 19 December 2022, the Investor sent a Notice to the Company, in which the Investor agreed the Company to postpone the payment date of the 2022 Due Interest to 23 November 2025. As at 31 December 2022, current portion of the Convertible Bonds amounted to HK\$18,320,000 (equivalent to approximately RMB16,366,000), which represented interest payable due on 23 November 2023 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 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, capitalization 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.

On 19 December 2022, the Company sent a notice to the Investor and obtained the consent from the Investor thereon, pursuant to which the Company and the Investor agreed that the maturity date of the Convertible Bonds to be extended to the seventh anniversary of the date of issue (i.e. from 23 November 2023 to 23 November 2025).

(v) **Redemption on maturity**

Unless previously redeemed, converted or purchased and cancelled, the Company will redeem the Convertible Bonds 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 recognized in shareholders' equity on special reserve.

The movement in the components of the Convertible Bonds during the years ended 31 December 2021 and 2022 are as follows:

	<b>Liability component</b>	<b>Equity component</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2021	485,425	104,294	589,719
Interest expenses (a)	32,765	—	32,765
Exchange difference	(16,122)	—	(16,122)
As at 31 December 2021	<u>502,068</u>	<u>104,294</u>	<u>606,362</u>
As at 1 January 2022	<b>502,068</b>	<b>104,294</b>	<b>606,362</b>
Interest expenses (a)	<b>39,971</b>	—	<b>39,971</b>
Modification (b)	<b>(43,688)</b>	—	<b>(43,688)</b>
Exchange difference	<u><b>50,039</b></u>	—	<u><b>50,039</b></u>
As at 31 December 2022	<u><b>548,390</b></u>	<u><b>104,294</b></u>	<u><b>652,684</b></u>

Notes:

(a) The interest expense of RMB39,971,000 (2021: RMB32,765,000) was calculated using the effective interest method.

- (b) As disclosed in (iv) above, on 19 December 2022, the maturity date of the Convertible Bonds was extended from 23 November 2023 to 23 November 2025. Based on management's assessment, the above extension of maturity date does not constitute a substantial modification of the Convertible Bonds, and therefore does not result in an extinguishment of the Convertible Bonds.

Accordingly, on 19 December 2022, the Group adjusted the carrying amount of the Convertible Bonds to the present value of the cash flows under the revised terms using the original effective interest rate (being 7.79%), which amounted to HK\$537,870,000 (equivalent to approximately RMB481,787,000). The difference between the adjusted carrying amount and the previous carrying amount immediately prior to the modification, which amounted to HK\$48,906,000 (equivalent to approximately RMB43,688,000), is recognized as a deemed contribution from shareholder and recorded in shareholder's equity on special reserve.

- (c) During the years ended 31 December 2022 and 2021, none of the Convertible Bonds was converted.

## **17 DIVIDENDS**

The Board resolved not to declare any dividend for the year ended 31 December 2022 (2021: nil).

## **18 EVENTS AFTER THE BALANCE SHEET DATE**

Subsequent to 31 December 2022 and up to the date of this results announcement, no important event affecting the Group had occurred.



## **FINAL DIVIDEND**

The Board has resolved not to declare final dividend for the year ended 31 December 2022 (2021: nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The total equity of the Group as at 31 December 2022 was RMB210.6 million (31 December 2021: RMB355.4 million). As at 31 December 2022, the Group had current assets of RMB226.5 million (31 December 2021: RMB290.9 million) and current liabilities of RMB339.6 million (31 December 2021: RMB418.9 million). The current ratio was 0.67 as at 31 December 2022 as compared to 0.69 as at 31 December 2021.

The Group generally finances its operations and possible redemption with internally generated cash flow, bank borrowings and convertible bonds. As at 31 December 2022, the Group had outstanding borrowings of RMB14.8 million (31 December 2021: RMB15.0 million). As at 31 December 2022, the Group maintained cash and cash equivalents of RMB34.1 million (31 December 2021: RMB62.6 million). The Group's net cash-to-equity ratio (being cash and cash equivalents net of total borrowings over shareholders' equity) was 0.09 as at 31 December 2022 (31 December 2021: 0.13).

As at 31 December 2022, the Group had outstanding convertible bonds of RMB548.4 million (31 December 2021: RMB502.1 million). Please refer to Note 16 to the consolidated financial results of the Company in this announcement for further details.

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, the Directors believe that adequate funding is available to fulfil the Group's debt obligations and capital expenditure requirements for the next 12-month period commencing from 31 December 2022. Based on the above, considering the Company's ability to generate net cash inflows from its future operating activities, the assets held by the Company and the extension of the maturity date of the convertible bonds, 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 2022, the Group had no capital expenditure contracted for but not provided in the consolidated financial results in respect of property, plant and equipment (31 December 2021: nil).

## **SIGNIFICANT INVESTMENTS**

During the year, the Company did not hold any 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 2022.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group currently has no definite plans for material investments and capital assets as at the date of this announcement.

## **CHARGE ON ASSETS**

As at 31 December 2022, save for the Group's buildings with net book value of RMB22.2 million (31 December 2021: RMB22.7 million) which were pledged as security for the Group's borrowings, there was no other charge over the assets of the Group.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

## **GEARING RATIO**

As at 31 December 2022, the Group's gearing ratio was 72% (31 December 2021: 56%). This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" and convertible bonds as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

## **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 2022 (2021: nil).

## **HUMAN RESOURCES**

As at 31 December 2022, the Group had a workforce of about 2,162 people (2021: about 2,793 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 had adopted a share award scheme on 11 November 2019 to provide incentives to the employees of the Group and to recognise their contributions to the Group.

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

During the year ended 31 December 2022, 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**

Throughout the year ended 31 December 2022, the Company has complied with the code provisions set out in Part 2 of 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**”) in force.

## **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 2022.

## **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 2022 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 2022 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.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.bestfoodholding.com](http://www.bestfoodholding.com)). The annual report of the Company for the year ended 31 December 2022 will be despatched to the shareholders of the Company and will be available on websites of the Stock Exchange and the Company in due course.

By Order of the Board  
**Best Food Holding Company Limited**  
**Zhao John Huan**  
*Chairman*

Hong Kong, 30 March 2023

*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. Lo Wei-Ren.*