Zhou Hei Ya International Holdings Company Limited
周黑鴨國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1458)

ANNOUNCEMENT OF PRELIMINARY UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

The board (the "**Board**") of directors (the "**Director**") of Zhou Hei Ya International Holdings Company Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2019 (the "**2019 Unaudited Annual Results**").

The 2019 Unaudited Annual Results of the Group have neither been audited nor reviewed by the Company's independent auditor (Ernst & Young). In addition, the 2019 Unaudited Annual Results have not yet been agreed by the Company's independent auditor as required under Rule 13.49(2) of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") due to a delay in the audit procedures resulting from the novel coronavirus outbreak and control measures implemented in the People's Republic of China (the"**PRC**"), which resulted in delays in obtaining certain confirmations from banks in the PRC and a postponement of the auditor's field works due to travel restrictions into and inside Wuhan city from January to March 2020. Therefore, the Company's independent auditor does not express an opinion or any other form of assurance with respect to the 2019 Unaudited Annual Results contained in this announcement. The audit committee of the Company has reviewed, discussed and agreed with the 2019 Unaudited Annual Results. Please refer to "Review of Unaudited Annual Results" set out in the announcement for more details.

The Company currently expects to publish its audited results for the year ended December 31, 2019 on or before April 29, 2020, subject to the completion of the auditing process of its independent auditor. In addition, the Company will issue further announcement(s) in relation to its confirmed proposed final dividend for the year ended December 31, 2019 and the proposed arrangements for its forthcoming annual general meeting. It will also issue further announcement(s) as and when necessary if there is any material development in the completion of the auditing process. Please refer to "Further Announcement(s)" set out in the announcement for more details.

FINANCIAL HIGHLIGHTS

	For the Year Ended December 31,		Year-on-Year
	2019	2018	**Change**
	RMB'000	RMB'000	**%**
	(Unaudited)	(Audited)	
Revenue	**3,186,040**	3,211,521	(0.8)
Gross profit	**1,801,400**	1,847,432	(2.5)
Profit before tax	**545,210**	726,971	(25.0)
Profit for the year attributable to owners of the Company	**407,448**	540,093	(24.6)

OPERATIONAL HIGHLIGHTS

The table below sets forth certain key operational information of the Group's self-operated retail store network for the periods indicated.

	Year Ended December 31,	
	2019	2018
Number of self-operated retail stores	**1,301**	1,288
Total sales volume (tons)	**35,854**	37,756
Average spending per purchase order (RMB)	**62.18**	63.66

The following table sets forth the revenue contribution in terms of the Group's main product categories for the periods indicated.

	Year Ended December 31,			
	2019		2018	
	RMB'000	**%**	RMB'000	%
	(Unaudited)		(Audited)	
Ducks and duck part products	**2,757,265**	**86.5**	2,803,765	87.3
Other Products [(1)]	**428,775**	**13.5**	407,756	12.7
Total	**3,186,040**	**100.0**	3,211,521	100.0

(1) Other products mainly include braised red meat, braised vegetable products, other braised poultry and aquatic food products.

The following table sets forth the revenue contribution by the Group's sales channels for the periods indicated.

	Year Ended December 31,			
	2019		2018	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Audited)	
Self-operated retail stores [(1)]	**2,740,512**	**86.0**	2,776,397	86.5
Online channels	**356,580**	**11.2**	302,655	9.4
Distributors	**65,308**	**2.1**	117,515	3.7
Others [(2)]	**23,640**	**0.7**	14,954	0.4
Total	**3,186,040**	**100.0**	3,211,521	100.0

(1) Includes revenue derived from online ordering and delivery services, products so sold are typically picked up at the designated retail stores. Revenue derived from online ordering and delivery services accounted for approximately 13.7% and 14.7% of the revenue from self-operated retail stores in 2018 and 2019, respectively.

(2) Primarily include franchisee fees, revenue generated from vending machines and other direct sales through subsidiaries.

PROPOSED FINAL DIVIDEND

On the assumption that audited annual results of the Company for the year ended December 31, 2019 to be published upon completion of the auditing process will be consistent in all material respects with the 2019 Unaudited Annual Results contained herein, the Board recommends the payment of a final dividend of HKD0.11 per ordinary share of the Company (equivalent to RMB0.10 per share), amounting to approximately a total of RMB239,522,000 and representing approximately 60% of the Group's unaudited net profit for the year ended December 31, 2019.

The financial information of the Group for the year ended December 31, 2019 contained herein has not been audited and yet been agreed with the Company's independent auditor. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

BUSINESS OVERVIEW AND OUTLOOK

Market Overview

In 2019, China's macro-economy remained on a stable development course and the individual income level as well as the overall spending and purchasing power continued to grow. As a result, the market size of the Chinese casual food industry also grew steadily in 2019. The industry has demonstrated trends including leading brands with strong resources consolidating their positions, upgrades of consumption structure and shifts of business models. Nevertheless, the casual food industry in China is still facing challenges from complex market environment and intensified industrial competition.

Along with the upgrades of consumption concepts and brand awareness, the increasing purchasing power of the post-00 and post-90 generations, as well as the appearance of emerging new consumer goods, the casual food market players have faced challenges and opportunities at the same time. In the new market environment, various casual food brands have commenced their production of braised food, which brought increasing competition and consolidation to the industry. As such, strategies for maintaining the integrity of its brand and to keep the competitive edge of product differentiation become the core element of a market player during such industrial transformation. Meanwhile, trending consumption upgrades and big-data intelligence have empowered the "new retail" model. More and more casual food companies are committed to enhancing operational efficiency through organizational transformation (or market operations), so as to satisfy the evolving demands from customers.

With respect to the upstream sector of the industry, raw material prices have been subject to various factors. In 2019, raw material prices continued to increase which imposed significant pressure on market players, due to factors arising from increasingly stringent regulations for environmental protection implemented by the China government and increasing demands for poultry meat products resulting from the outbreak of swine fever, and the fact that the industrial supply-demand relationship has been changed because of the expanding distribution channels of poultry meat products. In addition, the casual food industry has also been under the pressure from the intense competition for desirable store locations in transport hubs and business districts, the fading attractiveness of e-commerce as well as the distraction from new food products.

Overall Business and Financial Performance

Store Network Expansion

In 2019, the Group continued to seek opportunities for self-operated retail stores and to optimize the operation of self-operated store network at the same time, mainly by means of closing stores with low efficiency and enhancing the performance review. In 2019, the Group opened 229 new self-operated retail stores, and during the same period, the Group closed 216 self-operated retail stores, mainly as a result of unsatisfying performance or local government renovation projects. As a result, as of December 31, 2019, the total number of the Group's self-operated retail stores reached 1,301, covering 100 cities in 17 provinces and municipalities in China.

The table below sets forth a breakdown of the number and revenue contribution of self-operated retail store network by geographic location for the periods indicated.

Number of Self-operated Retail Stores

	Year Ended December 31,			
	2019		2018	
	#	%	#	%
Central China [1]	**558**	**43.0**	562	43.5
Southern China [2]	**240**	**18.4**	230	17.9
Eastern China [3]	**211**	**16.2**	225	17.5
Northern China [4]	**188**	**14.5**	196	15.2
Western China [5]	**104**	**7.9**	75	5.8
Total	**1,301**	**100.0**	1,288	100.0

Revenue from Self-operated Retail Stores

	Year Ended December 31,			
	2019		2018	
	RMB'000	**%**	RMB'000	%
	(Unaudited)		(Audited)	
Central China [1]	**1,594,165**	**58.2**	1,671,845	60.2
Southern China [2]	**444,390**	**16.2**	405,151	14.5
Eastern China [3]	**310,344**	**11.3**	335,447	12.1
Northern China [4]	**302,931**	**11.1**	311,797	11.2
Western China [5]	**88,682**	**3.2**	52,158	2.0
Total	**2,740,512**	**100.0**	2,776,397	100.0

(1) Comprises Hubei Province, Hunan Province, Henan Province, Jiangxi Province and Anhui Province.

(2) Comprises Guangdong Province and Fujian Province.

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing, Tianjin, Hebei Province and Shandong Province.

(5) Comprises Chongqing, Sichuan Province and Shaanxi Province.

Production Capacity

The Group continued to increase its production capacity in accordance with the market demands and store expansion plans in order to improve logistic efficiency and optimize shopping experience. In 2019, the Group's new production facility located in Dongguan of Guangdong Province commenced operation. In addition, the Group continued to optimize its production arrangements to increase its capacity and efficiency. Based on the long-term development strategy, the Group planned to establish facilities in five regions in China. Currently, three facilities with high automation level have been established in northern, central and southern China regions. Two additional facilities in eastern and western regions are under construction plans. The Group expected these facilities will provide flexible allocation of production capacities among each other, in order to address the risks in fluctuation from any regional market.

Changes of Core Executive Team and Upgraded New Six Development Strategies

In 2019, in order to adapt to the challenging market and to support the long-term development, the Group continued to optimize its core executive team and make major adjustments to its organizational structure. The Group was committed to establishing a reliable senior management team that is specialized in innovation and transformation. In May 2019, Mr. Zhang Yuchen joined the Group as the executive vice president and in August 2019, the Board appointed him as the new Chief Executive Officer. Mr. Zhang has over 20-year experience in consumer product industry and previously held management positions in several leading multi-national companies, therefore he has in-depth managerial experience and outstanding international vision. Furthermore, the Group also recruited talents for various management positions with respect to franchise business, omni-channel management, branding and marketing, finance management and human resources, in the anticipation of accumulating organizational strength for future development.

Led by this new management team, the Group fully reviewed and summarized the inadequacies in operation and the challenges the Group and the industry had been facing. The Group believed that one significant issue during its business development is that the traditional business model no longer fits into current business environment. To be specific, the Group has experienced the bottleneck resulting from the increasing expenses in association with self-operated store expansion, intensified competition for store locations in transport hubs, changing consumer behaviors, rising marketing expenses for consumer conversion, increasing raw material costs, as well as the inefficient organizational structure. As such, the management announced the new six development strategies aiming at supporting long-term development and corporate transformation, which are: (i) upgrade of business model; (ii) omni-channel coverage; (iii) products diversification; (iv) integrated branding and marketing; (v) organization and incentive enhancement; and (vi) supply chain optimization.

Upgrade of Business Model

Since the second half of 2019, while remaining committed to product quality, the Group gradually launched franchise business model and upgraded its business model to a multiple layer with self-operation + franchise. This shift is expected to address the market changes and demands from national expansion.

The Group's franchise model follows the principles of moderate, quality, and value-sharing. The Group refers to the successful experience of a global leading restaurant chain business in selecting high quality business partners. In addition, the Group also provides comprehensive trainings to its franchisees and has established an optimal franchisee management and evaluation system. The franchised stores shall fully comply with the "Zhouheiya standards" in their daily operation and the Group supplies products and implements store managerial skill on a collective and standardized basis. Meanwhile, the Group expects that the local resources of such franchisees and its own strong brand reputation and retailing experience may complement one another, enabling the Group to improve store network arrangements, facilitate new region exploration, and further penetrate existing markets.

Since the Group officially announced its plan to engage franchisees on November 18, 2019, it has received positive market feedback. As of December 31, 2019, after stringent valuation and selection, the Group had contracted three franchisees located in four cities and five franchised stores were in operation. The Group expects to continue to accelerate the development of its franchise business as scheduled in 2020.

Omni-channel Coverage

The Group continued to implement its omni-channel strategy to cover multiple online and offline consumption scenarios, which enhances the visibility of the Group's brand and attracts and satisfies the consumption needs from various potential consumer groups. For the year ended December 31, 2019, aggregate revenue derived from online channels and online ordering and delivery services accounted for 23.8% of the Group's total revenue in the year.

In 2019, the Group further enhanced its e-commerce strategy, such as deepening partnership with various platforms and enhancing membership operation. In 2019, online snack food sector has experienced intense competition and the consumers have been offered more and more options among different platforms and brands. As such, with respect to the distribution side, the Group on the one hand developed new cooperative relationships with social commerce platforms, and further explored opportunities in new retail models on the other. With respect to the marketing side, the Group actively launched various marketing campaigns with different platforms and enhanced membership operation by leveraging the trending internet celebrity economy. In 2019, the number of followers of the Group's flagship store on Tmall remained a leading position and the total sales from online channels maintained a healthy growth and achieved a year-over-year growth rate of 17.8%.

Moreover, the Group further improved its online ordering and delivery services by deepening cooperation with various food delivery platforms. In 2019, the Group enhanced its focus on user experience enhancement, and improved the online ordering and delivery services at stores through effective online order tracking and feedback. Moreover, the Group also analyses the data collected from omni-channels to more effectively and precisely allocates resources and operation in connection with the marketing campaigns and product display. For the year ended December 31, 2019, revenue derived from online ordering and delivery services increased by 5.6% from 2018.

In execution of the new development strategies, the Group actively developed cooperative opportunities with convenience stores and supermarkets. Since the second half of 2019, the Group has distributed products in retail chains such as Walmart and Freshippo (Hema), and has also been negotiating with more partners. The Group expects to leverage the established nationwide chain store networks and sophisticated cold chain logistic systems of such convenience stores and supermarkets to further increase the visibility of its products and convenience in consumer purchasing, thus, reaching more consumers. In addition, the Group has established a dedicated team responsible for the cooperation with convenience stores, which is currently under trial operation and has achieved the expected results. The Group has also made adjustment to product packaging designs for products to be sold in convenience stores, which is expected to improve the convenience of purchasing and enhance the consumers' shopping experience in convenience stores.

Products Diversification

By re-examining its history in the past 20 years, the Group believes that product innovation is a key to its rapid growth. Nevertheless, lack of innovations in recent review periods has become a bottleneck for the Group's business development. In execution of the new development strategies, the Group reviewed and re-established a new product research and development system, covering all aspect of management and operational processes from market intelligence, project proposal, research, testing and marketing. The new research and development system is committed to providing a systematic assurance that the new products under development will meet the market trends and consumer demands and to enabling a full life-cycle control and evaluation.

As a result of the new research and development system, the Group launched non-spicy products in late 2019 which were first introduced to the southern China markets and proved to be a market success. The Group subsequently promoted the non-spicy products nationwide and successfully attracted consumer groups with different taste preference. In the future, the Group will continue to improve existing products and develop new taste and new products to appeal diversified consumer groups. In addition, in response to the omni-channel strategy, the Group will develop product types and packaging sizes for different distribution channels. It will also make customized adjustments and designs suitable for different retail and consumption scenarios.

Integrated Branding and Marketing

The Group continued to improve and upgrade its branding images and launched a number of marketing activities both online and offline. On one hand, the Group actively interacted with young consumers through new social media platforms such as RED (Xiaohongshu) and TikTok. The Group leveraged content marketing to promote its brand and products with contents in which young consumers are interested and accordingly increased the brand influence among such core consumption groups. On the other hand, the Group partnered with celebrities targeting the post-00 and post-90 generations, and placed advertisements in regions with high growth potential to further promote the brand awareness across the country.

In execution of the new development strategies, the Group further integrated its branding and marketing efforts and resources. It also review the brand positioning and implemented a new brand establishment strategy to consolidate marketing resources. The Group further streamlined and optimized the organizational structure and procedures, and established an integrated marketing center to be responsible for the Group's branding and marketing activities. The Group continued to utilize the massive member data it has accumulated and its big-data analysis capacity to continuously and precisely target consumers and strengthen its casual food nature among young consumers. Moreover, the Group paid more attention to the uniformity and consistency of themes of branding and marketing activities, so as to ensure the efficiency of marketing resources. The Group has also been improving its Customer Relationship Management system, in order to increase the engagement level and repeat purchases of existing members which excessed over 20 million. The Group endeavored to consolidate its online and offline channels and form a centralized management system, aiming at enhancing the consumer conversion rates of various channels.

Organization and Incentive Enhancement

The Group believes that organizational strength is fundamental for effective execution of its development strategies. The new management team was committed to establishing a more effective and efficient organizational structure and to particularly develop the performance-oriented talent incentive plans. Since the second half of 2019, the Group commenced a group-wide multi-layer talent review for mid-level to senior management members, which was expected to facilitate the training, promoting and empowering of capable talents, and to enable the competition mechanism. In execution of the new development strategies, the Group continued to modify, optimize and simplify the existing organizational structure and emphasize the strategic function of each development and the synergies among various departments. Meanwhile, it also examined the responsibility and working procedures of respective positions under each department and re-developed a new performance management system by introducing an integrated evaluation system with balanced score card and key performance indicator. This was expected to enhance the employee evaluation and facilitate the performance execution, with a focus on the overall performance of core management members. Furthermore, the Group established systematic training programs and talent mapping for key positions in order to enhance the relevant employees' managerial skills.

Supply Chain Optimization

Faced with the challenges from industrial cycles, emerging new retail models, and its own production capacity, the Group is committed to improving its supply chain capability to support its operational development. Under the new development strategies, the Group further optimized its procurement procedures by setting up the strategic procurement system. On the one hand, it established a supplier procurement platform which enables the full life-cycle management of suppliers and realize cost control and efficiency improvement, on the other hand, it leveraged big-data analysis to optimize the procurement planning with more accurate demand prediction for raw materials and inventory resources. The Group was also able to optimize the allocation of storage and logistic resources based on its business expansion schedule to increase the coverage of service radius, delivery network and production capacity.

Since the establishment and implementation of the new six development strategies in 2019, up to the end of the year, the corresponding improvements had been gradually revealed. The Group had developed the organizational improvement strategy based on the principles of flat, simplified and efficient. The Group supplemented and optimized certain major departments, such as franchise business department, special distribution channel department and the integrated marketing center. The Group also commenced the franchise business, and launched non-spicy products with success. Benefiting from the implementation of the new six development strategies, the Group had successfully improved the revenue contribution from new products, cost and expense control and slowed down the decrease of net profit in the second half of 2019.

Industry and Business Outlook for 2020

In early 2020, the consumer product industry in China, in particular the food and retail sectors, has been adversely affected by the outbreak of the novel coronavirus disease, or COVID-19 outbreak. The industry was hit in a manner that retail stores are forced to close, production activities are suspended and consumption demands decrease in a short period of time. As provided in the voluntary announcement of the Company dated February 11, 2020, the Group's operations, mainly, the production activities in Central China and the temporary closures of a significant number of retail stores in cities where mandatory restrictive and lockdown measures were imposed by local governments, have been interrupted by the COVID-19 outbreak. Following the voluntary announcement and up to the date of this updated announcement, a majority of the retail stores located outside of Hubei Province that were temporarily closed have been reopened. Production activities in its Central China processing facility have also been re-launched. However, it is expected that the COVID-19 outbreak will continue to have an impact on the retailing industry. The Group estimates that the prolonged COVID-19 outbreak will have an adverse impact on its operation, and in turn, the financial performance in 2020.

The Group has carried out measures in response to this situation. Based on the existing stringent food quality assurance system, the Group adopted additional specific quality assurance measures in response to the outbreak of COVID-19. On the one hand, it proactively adjusted the production capacity allocation among three production facilities and, on the other hand, promoted the development of ecommerce on various online channels and online ordering and delivery service platforms. To this end, it explored the distribution opportunities from new form of community groupon. It also leveraged its well established advantages to enhance online marketing and promotion. During this down period, the Group had enhanced the training and education for its employees to further reinforce its corporate culture and increase organizational capability. However, in the long run, the Group is still optimistic for its development. Along with the more stringent regulatory control over food industry and the increasing awareness of food safety by consumers, the casual food industry is expected to experience another round of consumption upgrade and the industry will further consolidate with more sources controlled by those leading brands. The Group believes that the omni-channel model suitable for multiple scenarios will be a new industry norm. To establish a customer-oriented value chain to meet all customer needs is critical to further success. The Group believes its well established advantages in food safety, brand and reputation, as well as customer services will be further amplified by then.

In 2020, the Group will continue to focus on its new six development strategies and to implement the following:

- Further improve the multiple layer business model with self-operation and franchise, accelerate the development of franchise business and optimize nationwide store network;

- Further enhance omni-channel coverage and solidify advantages of online business and accelerate the development of distribution channels of convenience stores and supermarkets;

- Develop more tastes and product types to cater to more potential consumers and optimize product portfolio;

- Further consolidate branding and marketing efforts, precisely target consumers and enhance marketing efficiency;

- Re-build employee performance evaluation system, improve incentive scheme and enhance organizational strengths; and

- Further consolidate supply chain capabilities, optimize cost structure and improve supply chain management.

The Group believes that 2020 will be a critical year for it to execute the new six development strategies. The Group is confident in its ability to mitigating the adverse impacts of the COVID-19 outbreak and will seize the development opportunities to implement such strategies in the next five years and to establish a solid foundation for the mid- and long-term development with respect to distribution channels, products, brands, talents and supply chain. The Group endeavors to promote the sustainable development and strives to create the long-term value for all of its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's preliminary unaudited annual results for the year ended December 31, 2019, together with the corresponding audited results for the year ended December 31, 2018 and the year-over-year change from 2018.

	Year Ended December 31,				**Year-on-year Change**
	2019		2018		
	RMB'000	**%**	RMB'000	%	**%**
	(Unaudited)		(Audited)		
Revenue	**3,186,040**	**100.0**	**3,211,521**	**100.0**	**(0.8)**
Cost of sales	**(1,384,640)**	**(43.5)**	(1,364,089)	(42.5)	1.5
Gross profit	**1,801,400**	**56.5**	**1,847,432**	**57.5**	**(2.5)**
Other income and gains, net	**125,249**	**3.9**	147,143	4.6	(14.9)
Finance cost	**(32,123)**	**(1.0)**	–	–	N/A
Selling and distribution expenses	**(1,132,592)**	**(35.5)**	(1,081,576)	(33.7)	4.7
Administrative expenses	**(224,461)**	**(7.0)**	(178,707)	(5.6)	25.6
Share of income/(losses) of an associate	**7,737**	**0.2**	(7,321)	(0.2)	**(205.7)**
Profit before tax	**545,210**	**17.1**	**726,971**	**22.6**	**(25.0)**
Income tax expense	**(137,762)**	**(4.3)**	(186,878)	(5.8)	(26.3)
Profit for the year	**407,448**	**12.8**	**540,093**	**16.8**	**(24.6)**

	Year Ended December 31,				Year-on-year Change
	2019		2018		
	RMB'000	**%**	RMB'000	%	**%**
	(Unaudited)		(Audited)		
Other comprehensive income that may be reclassified to or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**(3,698)**	**(0.1)**	(6,273)	(0.2)	**(41.0)**
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(3,698)**	**(0.1)**	(6,273)	(0.2)	**(41.0)**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**35,170**	**1.1**	90,636	2.8	**(61.2)**
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**35,170**	**1.1**	90,636	2.8	**(61.2)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**31,472**	**1.0**	84,363	2.6	**(62.7)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**438,920**	**13.8**	624,456	19.4	**(29.7)**
Basic and diluted earnings per share (RMB)	**0.18**	**N/A**	0.23	N/A	**(21.7)**

The following management discussion and analysis are based on the preliminary unaudited annual results for the year ended December 31, 2019, which may differ from the actual results to be finalized.

Revenue

The Group's total revenue decreased by 0.8% from RMB3,211.5 million for the year ended December 31, 2018 to RMB3,186.0 million for the year ended December 31, 2019, which was primarily due to a decrease of RMB35.9 million in sales from self-operated stores and a decrease of RMB52.2 million in sales from distributors as a result of intensified competition. Nevertheless, since the Group continued to promote its online channels and its products distributed online had been accepted by more consumers, sales from online channels increased by RMB53.9 million from 2018 to 2019.

Revenue contributed by the Group's self-operated retail stores amounted to RMB2,740.5 million, representing 86.0% of total revenue for the year ended December 31, 2019, compared with RMB2,776.4 million, representing 86.5% for the year ended December 31, 2018.

Sales through online food and delivery services platforms increased by 5.6% from 2018 to 2019, which accounted for 14.7% of revenue derived from self-operated retail stores for the year ended December 31, 2019, compared with 13.7% for the year ended December 31, 2018.

Geographically, central China remained to be the major regional market with its proportion of total revenue of 2019 at 58.2%. Comparing with its proportion of 60.2% in 2018, the geographic concentration was slightly decreased.

Cost of Sales

Cost of sales increased by 1.5% from RMB1,364.1 million for the year ended December 31, 2018 to RMB1,384.6 million for the year ended December 31, 2019, which was mainly attributable to the increase in the unit purchase cost of raw materials, the increases in depreciation after the commencement of operation of the new processing facility and the overall increase in labor cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by 2.5% from RMB1,847.4 million for the year ended December 31, 2018 to RMB1,801.4 million for the year ended December 31, 2019, and the Group's gross profit margin decreased from 57.5% in the year ended December 31, 2018 to 56.5% in the year ended December 31, 2019.

Other Income and Gains, Net

The Group's other income and gains, net decreased by 14.9% from RMB147.1 million for the year ended December 31, 2018 to RMB125.2 million for the year ended December 31, 2019. The decrease was primarily due to (i) a decrease of RMB11.7 million in interest income from bank deposits and other interest income from structure deposits measured at FVPL; (ii) a decrease of RMB18.5 million in foreign exchange gain; and (iii) a decrease of RMB1.9 million in government grants, partially offset by a decrease of RMB5.3 million of a loss on disposal of property, plant and equipment.

Finance Cost

The Group recorded a finance expense of RMB32.1 million for the year ended December 31, 2019 which mainly represented the interests expenses of lease liabilities recognized due to the adoption of HKFRS 16 Leases since January 1, 2019.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 4.7% from RMB1,081.6 million for the year ended December 31, 2018 to RMB1,132.6 million for the year ended December 31, 2019. The increase was primarily due to the increases in rental expenses in connection with the Group's store network expansion, salary and welfare for selling personnel, as well as the transportation expenses resulting from geographic expansion.

Administrative Expenses

The Group's administrative expenses increased by 25.6% from RMB178.7 million for the year ended December 31, 2018 to RMB224.5 million for the year ended December 31, 2019, primarily due to (i) the increased expenses in connection with the commencement of operation of Hubei Phase I facility and Guangdong facility in the second half of 2018 and the first half of 2019, respectively; and (ii) the increased expenses for administrative staff.

Shares of Income/(Losses) of an Associate

For the year ended December 31, 2019, the Group incurred shares of income of an associate of RMB7.7 million in connection with the 31.25% equity interest (50% prior to March 2019, diluted to 37.51% from April to November 2019, and further diluted to 31.25% in December 2019) in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) (the "**Tiantu Partnership**"), which was jointly established with two subsidiaries of Shenzhen Tiantu Investment Co., Ltd., resulting from fair value gains on the associate's investees and partially net off by the administration expenses. The change in the Group's equity interest in Tiantu Partnership was due to the addition of new partners in March and December 2019.

Profit Before Tax

As a result of the foregoing, the Group recorded profit before tax of RMB545.2 million for the year ended December 31, 2019, decreased by 25.0% from RMB726.9 million for the year ended December 31, 2018.

Income Tax Expense

Income tax expense decreased by 26.3% from RMB186.9 million for the year ended December 31, 2018 to RMB137.8 million for the year ended December 31, 2019, primarily due to the decrease in profit before tax.

Profit for the Year

As a result of the foregoing, especially due to the Group's continued increases in operating expenses and costs, the Group's net profit decreased by 24.6% from RMB540.1 million for the year ended December 31, 2018 to RMB407.4 million for the year ended December 31, 2019. Net profit margin decreased from 16.8% in the year ended December 31, 2018 to 12.8% in the year ended December 31, 2019.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations changed from other comprehensive gain of RMB84.4 million for the year ended December 31, 2018 to other comprehensive gain of RMB31.5 million for the year ended December 31, 2019, primarily resulting from the translation of foreign currency statements of overseas entities of which reporting currencies are Hong Kong dollars.

Total Comprehensive Income for the Year

As a result of the foregoing, the Group's total comprehensive income for the year ended December 31, 2019 decreased by 29.7% to RMB438.9 million from RMB624.5 million for the year ended December 31, 2018.

Liquidity and Capital Resources

In the year ended December 31, 2019, the Group financed its operations primarily through cash generated from its business operations and the net proceeds received from its Initial Public Offering, including the exercise of the over-allotment options on November 30, 2016 (the "**IPO**"). The Group intends to finance its expansion and business development by internal resources and through organic and sustainable growth, as well as to use the net proceeds received from its IPO.

Capital Structure

As of December 31, 2019, the Group had net assets of approximately RMB4,238.4 million, as compared to RMB4,125.7 million as of December 31, 2018, primarily comprising current assets of RMB2,762.2 million, non-current assets of approximately RMB2,716.7 million, current liability of RMB738.9 million and non-current liability of approximately RMB501.6 million.

As of December 31, 2018 and 2019, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**") and U.S dollars ("**USD**"), with certain amount denominated in Hong Kong Dollars ("**HKD**") and small amount denominated in Euro.

Cash and Bank

As compared with RMB1,671.1 million as of December 31, 2018, the Group had cash and bank of approximately RMB1,237.0 million as of December 31, 2019, which was consisted of unrestricted cash and bank balances of approximately RMB190.3 million and term deposits of RMB1,046.7 million.

Financial Risks

The Group is not subject to significant credit risk and liquidity risk. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group does not use any derivative contracts to hedge against its exposure to foreign exchange risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Use of Proceeds from the Initial Public Offering

Net proceeds from the IPO (including the exercise of the over-allotment options on November 30, 2016), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to approximately HK$2,792.3 million, comprising HK$2,428.1 million raised from the Global Offering and HK$364.2 million from the issue of shares pursuant to the exercise of the over-allotment options, respectively. The remaining balance of the proceeds from the IPO as of December 31, 2019 was RMB1,009.9 million.

On March 31, 2020, for the reason set out in the paragraph headed "*Change in Use of Proceeds*" below, the Board has resolved to reallocate the unutilized net proceeds to and increase the portion to be used fro the construction and improvement of processing facilities, which also include the enhancement of the related logistics and storage capacities.

The table below sets forth the use of proceeds by the Group as of December 31, 2019 and the revised allocation among the use of proceeds as of the date of this announcement:

	Original allocation as provided in the prospectus of the IPO	Amount that had been utilized as of December 31, 2018	Amount that was used in the year ended December 31, 2019	Remaining balance as of December 31, 2019	Revised allocation	Revised remaining balance as of the date of this announcement	Expected timeline of utilization[1]
				(In RMB million)			
Construction and improvement of processing facilities	858.3	765.2	93.1	–	1,258.3	400.0	in four years
Development of retail network	367.8	71.7	35.0	261.1	167.8	61.1	in two years
Branding image campaigns, including the e-commerce marketing campaigns	294.3	73.8	136.4	84.2	394.3	184.2	in two years
Improvement of research and development	245.2	11.5	5.5	228.2	45.2	28.2	N/A[2]
Acquisition and strategic alliances	245.2	17.9	–	227.3	145.2	127.3	N/A[2]
Upgrades of information technology systems, including the enterprise resource planning system	196.2	38.7	17.6	139.9	96.2	39.9	in three years
General replenishment of working capital	245.2	138.0	38.0	69.2	345.2	169.2	in two years
Total	**2,452.2**	**1,116.8**	**325.6**	**1,009.9**	**2,452.2**	**1,009.9**	

Notes:

(1) Based on the Group's current estimates of its business plans and market conditions, and subject to change and adjustment.

(2) The Group expects that the remaining balance will be used in accordance with the intended usage in the coming years as indicated but it is not able to reasonably estimate a detailed timeline of utilization at current stage.

As of December 31, 2019, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

Change in the Use of Proceeds

The management of the Company, having reviewed its business development strategies and expansion plans, considered that there remains a considerable capital need for it to further improve processing facilities, which includes the optimization of production capacity and enhancement of logistics and storage capacities. In particular, the Group intends to accelerate its franchise business in the upcoming years, which may require more production, logistics and storage supports. As such, the Group plans to reallocate more of its resources to invest in the construction and improvement of processing facilities and intends to utilize the balance of the net proceeds it received from its IPO in the manner set out below. The Board considers that the change in use of proceeds is in the interest of the Company and its shareholders as a whole and will continue to monitor the use of the net proceeds. Save for the aforesaid changes, there has been no other change in the use of the net proceeds from the IPO.

Indebtedness

As of December 31, 2019, the Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection thereof.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. As of December 31, 2019, the Group's gearing ratio increased to 22.6% from 11.4% as of December 31, 2018, which was primarily due to the increase in total liabilities due to a recognition of lease liabilities as a result of the adoption of HKFRS 16 Lease since January 1, 2019.

Cash Flows

For the year ended December 31, 2019, net cash generated from operating activities increased to approximately RMB756.5 million from RMB308.4 million for the year ended December 31, 2018, which was mainly attributable to profit before tax of RMB907.5 million, adjusted for certain non-cash items and profit before tax from non-operating activities such as depreciation of fixed assets, amortization of right-of-use assets and land use rights, interest income from bank deposits and interest income from structured deposits. Additional factors that affected net cash generated from operating activities included: (i) income tax paid of RMB156.8 million, (ii) an increase of RMB16.7 million in inventories, (iii) an increase of RMB19.5 million in other payables and accruals, (iv) an increase of RMB28.7 million in pre-payments, deposits and other receivables, and (v) an increase of RMB36.9 million in trade payables.

For the year ended December 31, 2019, net cash generated from investing activities was approximately RMB60.9 million, compared with RMB51.3 million for the year ended December 31, 2018, which was mainly attributable to (i) proceeds from disposal of structured deposits of RMB2,490.5 million; (ii) the decrease of term deposits of maturity over three months of RMB518.4 million; (iii) the interests received from bank deposits of RMB55.5 million, and proceeds from structured deposits of RMB24.4 million, partially offset by (iv) purchases of structured deposits of RMB2,620.5 million; and (v) purchases of long-term assets of RMB418.6 million.

For the year ended December 31, 2019, net cash used in financing activities was to approximately RMB748.9 million, compared with RMB499.4 million for the year ended December 31, 2018, which was mainly attributable to (i) the offshore guarantees for onshore loans which resulted in an increase of deposits of RMB206.0 million, (ii) dividends paid of RMB326.2 million and (iii) principal of lease liabilities paid of RMB216.6 million.

Structured Deposits

The Group from time to time invests in asset management products, primarily structured deposits, in order to better facilitate its cash management. Structured deposits were principal-protected products which typically had a fixed short term and may be redeemed upon had their respective expiry dates. As of December 31, 2019, the Group had a balance of structured deposits in the amount of approximately RMB760.9 million. Up to the date of this announcement, approximately RMB430.0 million out of the RMB760.9 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits were primarily short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in China, which were very liquid with a relatively short term of maturity, and which were considered akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. In the year ended December 31, 2019, interest income from structured deposits amounted to RMB26.4 million (December 31, 2018: approximately RMB43.7 million).

The Group has implemented capital and investment policies to monitor and control the risks relating to its investment activities. The Group may only make investments in asset management products when it has surplus cash. Only investments in low-risk products issued by qualified commercial banks or other financial institutions are allowed and investments should be non-speculative in nature. The Group's capital and investment policies also specify the criteria for selecting investments to be considered and the detailed review procedures each proposed investment shall go through.

In view of an upside of earning a relatively higher return than current saving or fixed deposit rate under the low interest rate trend, as well as the principal-protected nature and a relatively short term of maturity of the structured deposits, the Directors are of the view that the structured deposits pose little risk to the Group and the terms and conditions of each of the structured deposits are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Capital Expenditure

The Group's capital expenditures amounted to RMB418.6 million as of December 31, 2019, mainly in connection with the establishment of processing facilities and the improvement of its processing facilities. The Group financed its capital expenditures primarily with cash generated from operations and the proceeds from the IPO.

Contingent Liabilities and Guarantees

As of December 31, 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against it.

Major Investment

The Group did not conduct any material investments, acquisitions or disposals in 2019 and in the period subsequent to December 31, 2019 and up to March 31, 2020, being the date of this announcement.

In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the prospectus of the Company dated November 1, 2016 (the "**Prospectus**"), the Group has no specific plan for major investment or acquisition for major assets or other business. However, the Group will continue to identify new opportunities for business development.

Turnover Ratios

Average inventory turnover days increased from 78.1 days in 2018 to 91.5 days in 2019, primarily because the Group increased the inventory reserves of certain raw materials by the end of 2019 in the anticipation of an increase in raw material prices.

Average trade receivables turnover days were slightly increased from 3.2 days in 2018 to 3.7 days in 2019.

Average trade payables turnover days increased from 22.6 days in 2018 to 27.6 days in 2019, primarily due to the increase in inventory procurement as well as the prolonged credit terms granted to the Group.

Employee and Labor Cost

As of December 31, 2019, the Group had a total of 4,966 employees, among which 58.4% were retail store operations and sales staff and 14.7% were manufacturing staff at its processing facilities.

The Group has developed a performance evaluation system to assess the performance of its employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Sales and marketing personnel may also receive bonuses based on the sales targets they accomplish, by taking into account the overall sales performance of the stores in the same regional market in the relevant period.

In the year ended December 31, 2019, the Group incurred total labor costs of RMB496.3 million, representing 15.6% of total revenue of the Group.

Top Suppliers and Top Customers

In the year ended December 31, 2019, purchases from the Group's largest duck supplier in terms of dollar amount accounted for 8% of total purchase cost and the aggregate purchases from its top five duck suppliers in terms of dollar amount in aggregate accounted for 22.4% of total purchase cost.

Due to the nature of the Group's business, in the year ended December 31, 2019, revenue derived from its top five customers accounted for less than 30% of total revenue.

Reserves

As of December 31, 2019, the Group's reserves available for distribution to shareholders amounted to approximately RMB1,913.0 million.

Subsequent Events

In early 2020, the Group's operation has been adversely affected by quarantine measures imposed by the local government to contain the COVID-19 outbreak. The Group has been paying close attention to the impact of the situation on its operation and taking all possible and reasonable measures to mitigate and limit the impact on the Group's operation. The Group has temporarily reopened a majority of those closed retail stores located outside of Hubei Province since February 2020, and re-launched production activities in its Central China processing facility since early March 2020. As the extent to which the COVID-19 outbreak will continue is uncertain, the overall financial effect that the COVID-19 outbreak may have on the Group's businesses and financial results cannot be reliably estimated as at the date when the financial statements are authorized to issue.

Other than the abovementioned matter, no material events were undertaken by the Group subsequent to December 31, 2019.

FINANCIAL INFORMATION

The preliminary unaudited annual results of the Group for the year ended December 31, 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2019

	Notes	**2019**	**2018**
		RMB'000	**RMB'000**
		(unaudited)	**(audited)**
REVENUE	3(a)	**3,186,040**	3,211,521
Cost of sales		**(1,384,640)**	(1,364,089)
Gross profit		**1,801,400**	1,847,432
Other income and gains, net	3(c)	**125,249**	147,143
Finance cost	4	**(32,123)**	–
Selling and distribution expenses		**(1,132,592)**	(1,081,576)
Administrative expenses		**(224,461)**	(178,707)
Share of income/(losses) of an associate		**7,737**	(7,321)
PROFIT BEFORE TAX	5	**545,210**	726,971
Income tax (expense)	6	**(137,762)**	(186,878)
PROFIT FOR THE YEAR		**407,448**	540,093
Attributable to:			
Owners of the parent		**407,448**	540,093
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(3,698)**	(6,273)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended December 31, 2019

	Notes	**2019**	**2018**
		RMB'000 (unaudited)	**RMB'000 (audited)**
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(3,698)**	(6,273)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**35,170**	90,636
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**35,170**	90,636
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**31,472**	84,363
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**438,920**	624,456
Attributable to:			
Owners of the parent		**438,920**	624,456
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted (RMB)		**0.18**	0.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2019

	Notes	2019	2018
		RMB'000	**RMB'000**
		(unaudited)	**(audited)**
NON-CURRENT ASSETS			
Property, plant and equipment		**1,409,390**	1,189,966
Right-of-use assets	9(b)	**843,671**	–
Prepaid land lease payments	9(a)	**–**	128,898
Prepayments		**20,963**	49,404
Rental deposits		**86,333**	83,221
Other intangible assets		**35,450**	35,184
Investments in an associate	10	**250,416**	242,679
Deferred tax assets		**70,448**	46,726
Total non-current assets		**2,716,671**	1,776,078
CURRENT ASSETS			
Inventories		**360,388**	343,734
Trade receivables	11	**35,405**	30,866
Prepayments, other receivables and other assets	12	**157,880**	200,524
Due from the Controlling Shareholders		**–**	2,294
Structured deposits	13	**760,861**	626,756
Restricted cash		**210,024**	4,000
Cash in transit		**697**	760
Cash and bank		**1,236,990**	1,671,093
Total current assets		**2,762,245**	2,880,027
CURRENT LIABILITIES			
Trade payables	14	**121,988**	85,066
Other payables and accruals		**331,699**	328,826
Government grants, current		**1,464**	1,455
Lease liabilities, current	9(c)	**219,486**	–
Income tax payable		**64,232**	66,874
Total current liabilities		**738,869**	482,221
NET CURRENT ASSETS		**2,023,376**	2,397,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,740,047**	4,173,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
December 31, 2019

	Notes	**2019**	**2018**
		RMB'000 (unaudited)	**RMB'000 (audited)**
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,172**	9,821
Government grants, non-current		**47,918**	38,356
Lease liabilities, non-current	9(c)	**436,548**	–
Total non-current liabilities		**501,638**	48,177
NET ASSETS		**4,238,409**	4,125,707
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**16**	16
Treasury shares		**(263,525)**	(263,525)
Reserves		**4,501,918**	4,389,216
TOTAL EQUITY		**4,238,409**	4,125,707

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on May 13, 2015. The registered and correspondence office of the Company is located at the offices of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on November 11, 2016 (the "**Listing**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for structured deposits which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19, HK(IFRIC)-Int 23 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of January 1, 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at January 1, 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of properties, motor vehicles, and land lease rights. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("**short-term leases**") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from January 1, 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at January 1, 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019 and included in lease liabilities. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before January 1, 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition (continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at January 1, 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at January 1, 2019
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before January 1, 2019 as an alternative to performing an impairment review
- Excluding initial direct costs from the measurement of the right-of-use asset at the date of initial application when applying HKFRS 16.C8(b)(i)

Financial impact at January 1, 2019

The impacts arising from the adoption of HKFRS 16 as at January 1, 2019 are as follows:

	Increase/ (decrease)
	RMB'000 (unaudited)
Assets	
Increase in right-of-use assets	860,242
Decrease in prepaid land lease payments	(128,898)
Decrease in prepayments, other receivables and other assets	(71,806)
Increase in total assets	659,538
Liabilities	
Increase in interest-bearing bank and other borrowings	659,538
Increase in total liabilities	659,538

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at January 1, 2019 (continued)

The lease liabilities as at January 1, 2019 reconciled to the operating lease commitments as at December 31, 2018 are as follows:

	RMB'000 (unaudited)
Operating lease commitments as at December 31, 2018	509,343
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before December 31, 2019	87,618
Add: Payments for optional extension periods not recognised as at December 31, 2018	282,991
	704,716
Weighted average incremental borrowing rate as at January 1, 2019	4.76%
Discounted operating lease commitments as at January 1, 2019	659,538
Lease liabilities as at January 1, 2019	**659,538**

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on January 1, 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, other income and gains, net is as follows:

(a) Disaggregated revenue information

Segments

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Type of goods		
Vacuum-packaged products	**357,889**	290,280
Modified-Atmosphere-Packaged products	**2,803,353**	2,888,699
Other products	**24,798**	32,542
Total revenue from contracts with customers	**3,186,040**	3,211,521

The timing of the above revenue recognition is when the performance obligation of sales and delivery of goods are satisfied at a point in time.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of casual braised food

The performance obligation is satisfied upon delivery of the goods and payment is generally settled once the goods are delivered, except for distributors, where payment in advance is normally required.

(c) Other income and gains, net

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Government grants*	**50,613**	52,479
Interest income from bank deposits	**55,976**	49,791
Interest income from structured deposits measured at amortized cost	**19,127**	–
Interest income from structured deposits measured at FVPL	**7,224**	43,688
Fair value gains on structured deposits measured at FVPL	**2,137**	1,756
Other interest income from financial assets at FVPL	**–**	962
Loss on disposal of items of property, plant and equipment	**(1,040)**	(6,316)
(Loss)/Gain on foreign exchange	**(15,755)**	2,732
Fair value loss on derivative instruments	**–**	(4,032)
Others	**6,967**	6,083
Total	**125,249**	147,143

* There were no unfulfilled conditions and other contingencies attaching to government grants that had been recognised.

4. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2019	2018
	RMB'000 (unaudited)	RMB'000 (audited)
Interest on lease liabilities	**32,123**	–
	32,123	–

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2019	2018
	RMB'000 (unaudited)	RMB'000 (audited)
Cost of inventories sold	**1,135,257**	1,138,983
Depreciation of property plant and equipment	**119,558**	80,630
Depreciation of right-of-use assets (2018: amortisation of land lease payments)	**309,614**	1,052
Amortisation of other intangible assets	**10,012**	4,119
Auditor's remuneration	**2,180**	2,180
Minimum lease payments under operating leases	**–**	398,974
Lease payments not included in the measurement of lease liabilities	**93,060**	–
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**398,366**	372,967
Pension scheme contributions	**66,032**	63,515
Other welfare	**31,883**	27,537
Advertising and promotion expenses	**61,439**	75,601
E-commerce and online ordering platform related service and delivery fees	**150,557**	144,106
Fuel cost	**23,409**	19,556
Utility expenses	**47,142**	41,856
Share of losses/(income) of an associate	**(7,737)**	7,321
Loss on disposal of items of property, plant and equipment	**1,040**	6,316
Finance cost	**32,123**	–
Transportation expenses	**81,221**	72,244
Loss/(gain) on foreign exchange	**15,755**	(2,732)
Fair value loss on derivative instruments	**–**	4,032
Interest income from bank deposits	**(55,976)**	(49,791)
Other interest income from financial assets at FVPL	**–**	(962)
Interest income from structured deposits measured at FVPL	**(7,224)**	(43,688)
Fair value gains on structured deposits measured at FVPL	**(2,137)**	(1,756)
Interest income from structured deposits measured at amortized cost	**(19,127)**	–

6. INCOME TAX

The major components of income tax expenses are as follows:

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Current income tax in PRC	**154,133**	196,449
Deferred tax	**(16,371)**	(9,571)
Total tax charge for the year	**137,762**	186,878

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The provision for current income tax in PRC is based on a statutory rate of 25% (2018: 25%) of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Given that profits of this subsidiary are less than HK$2,000,000, the statutory tax rate for the subsidiary in Hong Kong is 8.25% (2018: 8.25%). No Hong Kong profits tax on the Group's subsidiary has been provided as there is no assessable profit arising in Hong Kong during the year.

7. DIVIDENDS

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Dividends declared	**239,522**	326,174

The board has recommended the payment of a final dividend of HK$0.11 (equivalent to RMB0.10) per ordinary share for the year ended 31 December 2019, representing a total payment of approximately RMB239,522,000, including RMB6,574,000 of dividend attributable to the repurchased shares held by the trustee of the Group for future incentive scheme, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2019 and 2018.

The calculations of basic and diluted earnings per share are based on:

	2019	2018
	RMB'000 (unaudited)	**RMB'000 (audited)**
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**407,448**	540,093
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,317,728,500**	2,363,155,140
Earnings per share:		
Basic and diluted (RMB)	**0.18**	0.23

9. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 9 years. Motor vehicles generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Prepaid land lease payments (before January 1, 2019)

	2018
	RMB'000 **(audited)**
Carrying amount at 1 January 2018	113,884
Additions	20,394
Amortisation capitalised as property, plant and equipment during the year	(1,502)
Recognised in profit or loss during the year	(1,052)
Carrying amount at 31 December 2018	131,724
Current portion included in prepayments, other receivables and other assets	(2,826)
Non-current portion	128,898

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid land lease payments	**Properties**	**Total**
	RMB'000	**RMB'000**	**RMB'000** **(unaudited)**
As at January 1, 2019	128,898	731,344	860,242
Additions	24,406	268,637	293,043
Depreciation charge	(3,542)	(306,072)	(309,614)
As at December 31, 2019	149,762	693,909	843,671

The Group's leasehold land is located in Wuhan City of Hubei Province, Dongguan City of Guangdong Province, Chengdu City of Sichuan Province, Nantong City of Jiangsu Province, Cangzhou City of Hebei Province and Qianjiang City of Hubei, the PRC, with lease periods of 50 years.

During 2019, RMB1,406,000 (2018: RMB1,502,000) of amortization of the prepaid land lease payments was capitalised as part of the construction costs of the factory in Dongguan City, Nantong City, Chengdu City and Qianjiang City.

9. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2019
	Lease Liabilities
	RMB'000
	(unaudited)
Carrying amount at January 1	**659,538**
New leases	**213,134**
Accretion of interest recognised during the year	**32,123**
Payments	**(248,761)**
Carrying amount at December 31	**656,034**
Analysed into:	
Current portion	**219,486**
Non-current portion	**436,548**

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	2019
	RMB'000
	(unaudited)
Interest on lease liabilities	**32,123**
Depreciation charge of right-of-use assets	**309,614**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before December 31, 2019 (included in selling and distribution expenses)	**35,840**
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	**57,220**
Total amount recognised in profit or loss	**434,797**

9. LEASES (continued)

The Group as a lessee (continued)

(e) Variable lease payments

The Group leased a number of the retail stores and units that contain variable payments based on the number of sales. Many of the property leases within the Group contain variable payment terms. Local management are responsible for store margins. Accordingly, lease terms are negotiated by local management and contain a wide range of payment terms. Variable payment terms are used for a variety of reasons, including minimising the fixed cost base for newly established stores or for reasons of margin control and operational flexibility. Variable lease payment terms vary widely across the group:

(1) the majority of variable payment terms are based on a range of percentages of store sales;

(2) lease payments based on variable terms range from 0–20 per cent of total lease payments on an individual property; and

(3) some variable payment terms include minimum or cap clauses.

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. This facilitates the management of margins across the Group.

Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

10. INVESTMENTS IN AN ASSOCIATE

	2019	2018
	RMB'000 (unaudited)	RMB'000 (audited)
Share of net assets	**250,416**	242,679

Particulars of the Company's material associate are as follows:

Name	Place incorporation	Percentage of voting power	Principal activities
Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) ("**Shenzhen Tiantu Xingnan**")	China	40	Investment fund

In March 2018, the Group, through an indirect wholly-owned subsidiary, entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) and Shenzhen Tiantu Xing'an Investment Enterprise (Limited Partnership) to jointly form Shenzhen Tiantu Xingnan, an investment fund, as a limited partner with an initial subscription amount of RMB500,000,000, representing 50% of the total initial subscription amount of this fund.

In March 2019, as a third-party limited partner newly invests into the fund with an initial subscription amount of RMB333,000,000, the Group's initial subscription amount of RMB500,000,000 represented 37.51% of the total initial subscription amount of this fund.

In December 2019, as another third-party limited partner newly invests into the fund with an initial subscription amount of RMB267,000,000, the Group's initial subscription amount of RMB500,000,000 represents 31.25% of the total initial subscription amount of this fund.

The Group has contributed RMB250,000,000 to Shenzheng Tiantu Xingnan as of December 31, 2019.

11. TRADE RECEIVABLES

	2019	2018
	RMB'000 **(unaudited)**	**RMB'000** **(audited)**
Trade receivables	**35,405**	30,866
Less: Impairment provision	**–**	–
	35,405	30,866

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000 **(unaudited)**	**RMB'000** **(audited)**
Within 3 months	**35,320**	30,866
Over 3 months	**85**	–
	35,405	30,866

The Group applies the simplified approach to provide for expected credit losses prescribed in HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and there has not been a significant change in credit quality, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	December 31, 2019	January 1, 2019	December 31, 2018
	RMB'000 (unaudited)	RMB'000	RMB'000 (audited)
Prepaid property rents	**23,486**	16,275	88,081
Advances to employees	**3,040**	3,743	3,743
Advances to suppliers	**9,269**	8,999	8,999
Deductible input VAT	**80,942**	68,502	68,502
Current portion of prepaid land lease payments	**3,317**	2,826	2,826
Others	**37,826**	28,373	28,373
	157,880	128,718	200,524

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

As a result of the initial application of HKFRS 16, prepaid lease payments of RMB71,806,000 previously included in "Prepayments, other receivables and other assets" were adjusted to the right-of-use assets recognised at 1 January 2019 (refer to note 2.2 to the financial statements for further details).

13 STRUCTURED DEPOSITS

	2019	2018
	RMB'000 (unaudited)	RMB'000 (audited)
Other unlisted investments, at amortized cost	**438,724**	–
Other unlisted investments, at fair value	**322,137**	626,756
	760,861	626,756

The above unlisted investments at 31 December 2019 were wealth management products issued by banks in Mainland China. Structured deposits of RMB322,137,000 were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Structured deposits of RMB438,724,000 with cash flows that are solely payments of principal and interest are classified and measured at cost.

14. TRADE PAYABLES

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

	2019	2018
	RMB'000	**RMB'000**
	(unaudited)	**(audited)**
Within 3 months	**119,421**	84,104
3 to 6 months	**2,278**	284
Over 6 months	**182**	75
Over 12 months	**107**	603
	121,988	85,066

The trade payables are non-interest-bearing.

15. SHARE CAPITAL

	2019	2018
	RMB'000	**RMB'000**
Authorised:		
50,000,000,000 shares of USD0.000001 each (2018: 50,000,000,000 shares of USD0.000001 each)	**306**	306
Issued and fully paid:		
2,383,140,500 shares of USD0.000001 each (2018: 2,383,140,500 shares of USD0.000001 each)	**16**	16

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Treasury Shares
		RMB'000	**RMB'000**
At January 1, 2018	2,383,140,500	16	–
Repurchase of shares *(note)*	–	–	(263,525)
At December 31, 2018, January 1, 2019 and December 31, 2019	2,383,140,500	16	(263,525)

Note:

The Company adopted the restricted share unit scheme (the "**RSU Scheme**") on July 25, 2018. During August 30, 2018 to October 24, 2018, the Company purchased 65,412,000 of its shares on the Hong Kong Stock Exchange for a total cash consideration of HK$299,998,000, equivalent to RMB263,525,000. The purchased shares will be used as awards for the participants in the RSU Scheme, and as of December 31, 2019, the purchased shares have not been granted to employees and were presented as treasury shares at cost.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the year ended December 31, 2019.

FINAL DIVIDEND

On the assumption that the audited annual results of the Company for the year ended December 31, 2019 to be published upon completion of the auditing process will be consistent in all material respects with the 2019 Unaudited Annual Results contained herein, the Board recommends the payment of a final dividend of HKD0.11 per ordinary share of the Company (adopting an exchange rate of HK$1=RMB0.9137, equivalent to RMB0.10 per share) and payable in Hong Kong dollars, amounting to approximately a total of RMB239,522,000 for the year ended December 31, 2019, representing approximately 60% of the Group's unaudited net profit for the year ended December 31, 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended December 31, 2019, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Listing Rules.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

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 code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the year ended December 31, 2019.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Wu Chi Keung, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong, our independent non-executive Directors. Mr. Wu Chi Keung is the chairman of the Audit Committee, and is our independent non-executive Director processing the appropriate professional qualifications.

REVIEW OF UNAUDITED ANNUAL RESULTS

The 2019 Unaudited Annual Results, have neither been audited nor reviewed by the Company's independent auditor (Ernst & Young). In addition, the 2019 Unaudited Annual Results have not yet been agreed by the Company's independent auditor as required under Rule 13.49(2) of the Listing Rules due to a delay in the audit procedures resulting from the novel coronavirus outbreak and control measures implemented in the PRC, which resulted in delays in obtaining certain confirmations from banks in the PRC and a postponement of the auditor's field works due to travel restrictions into and inside Wuhan city from January to March 2020. Therefore, the Company's independent auditor does not express an opinion or any other form of assurance with respect to the 2019 Unaudited Annual Results contained in this announcement. The Group's actual results for the year ended December 31, 2019 may differ from the 2019 Unaudited Annual Results due to the completion of the review of the Company's independent auditor.

The 2019 Unaudited Annual Results have been prepared by our management in accordance with the HKFRSs, which include all HKFRSs, HKASs and Interpretations, issued by the HKICPA. The audit committee of the Company has reviewed, discussed and agreed with the 2019 Unaudited Annual Results.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended December 31, 2019 as agreed by the independent auditor and the material differences (if any) as compared with the 2019 Unaudited Annual Results contained herein, (ii) the confirmed proposed final dividend for the year ended December 31, 2019, (iii) the payment date of such proposed final dividend, (iv) the proposed date on which the forthcoming annual general meeting will be held, and (v) the period during which the register of members holding ordinary shares of the Company will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting, and (vi) the period during which the registers of members holding ordinary shares will be closed in order to determine entitlement to receive the proposed final dividend. The Company currently expects to publish its audited results for the year ended December 31, 2019 on or before April 29, 2020, subject to the completion of the auditing process of its independent auditor. In addition, the Company will issue further announcement(s) as and when necessary if there is any material development in the completion of the auditing process.

The financial information of the Group for the year ended December 31, 2019 contained herein has not been audited and yet been agreed with the Company's independent auditor. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Zhou Hei Ya International Holdings Company Limited
ZHOU Fuyu
Chairman

Hong Kong, March 31, 2020

As at the date of this announcement, Mr. Zhou Fuyu, Mr. Zhang Yuchen and Mr. Wen Yong are the executive Directors; Mr. Pan Pan is the non-executive Director; and Mr. Wu Chi Keung, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong are the independent non-executive Directors.