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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

FINANCIAL HIGHLIGHTS

	For the Year Ended December 31,		Year-on-Year
	2020	2019	**Change**
	RMB'000	RMB'000	**%**
Revenue	**2,181,502**	3,186,040	(31.5)
Gross profit	**1,210,156**	1,801,400	(32.8)
Profit before tax	**200,058**	545,210	(63.3)
Profit for the year attributable to owners of the Company	**151,221**	407,448	(62.9)
Adjusted net profit(1)	**167,543**	N/A	N/A

(1) Adjusted net profit is calculated by deducting donations and anti-epidemic related expenses which mainly relating to the COVID-19 outbreak since early 2020. Adjusted net profit is an unaudited non-GAAP item. The Group presented the adjusted net profit as an additional financial measure to evaluate the financial performance of the Group by eliminating the impacts of certain unusual and nonrecurring items that the Group does not consider indicative of the performance of the business of the Group. Other companies may calculate this non-GAAP item differently from the Group does. This non-GAAP item is not a measure of operating performance or liquidity under HKFRS and has limitation as an analytical tool. The investors should not consider it in isolation or as a substitute for analysis of the Group's results as reported under HKFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or nonrecurring items.

OPERATIONAL HIGHLIGHTS

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

	Year Ended December 31,	
	2020	2019
Total number of retail stores	**1,755**	1,320
Total sales volume (tons)	**25,812**	35,854
Average spending per purchase order (RMB)	**60.67**	62.18

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

	Year Ended December 31,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Ducks and duck part products	**1,876,801**	**86.0**	2,757,265	86.5
Other products (1)	**299,581**	**13.7**	428,720	13.5
Franchise fees (2)	**5,120**	**0.3**	55	0.0
Total	**2,181,502**	**100.0**	3,186,040	100.0

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

(2) Include revenue generated from franchisees in connection with upfront franchise fees and brand royalty fees, and exclude revenue from sales of products to franchisees.

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

	Year Ended December 31,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Self-operated retail stores [(1)]	**1,480,742**	**67.9**	2,740,512	86.0
Online channels	**458,226**	**21.0**	356,580	11.2
Franchisees [(2)]	**140,050**	**6.4**	6,636	0.2
New retail and community group-buy channels [(3)]	**66,356**	**3.0**	15,297	0.5
Others [(4)]	**36,128**	**1.7**	67,015	2.1
Total	**2,181,502**	**100.0**	3,186,040	100.0

(1) Include 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 14.7% and 19.4% of the revenue from self-operated retail stores in 2019 and 2020, respectively.

(2) Primarily include revenue generated from franchisees in connection with sales of products, upfront franchise fees and brand royalty fees. Revenue from franchisees in 2019 mainly includes revenue generated from sales of products from employee-franchisee model launched on a trial basis.

(3) Certain distributors in 2019 were reclassified as new retail and community group-buy channels since 2020.

(4) Primarily include revenue generated from distributors, and revenue generated from vending machines.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HKD0.08 per ordinary share of the Company (equivalent to RMB0.07 per share), amounting to approximately a total of RMB160,075,000 and representing approximately 100% of the Group's net profit for the year ended December 31, 2020.

The board of directors (the "**Board**") of Zhou Hei Ya International Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2020. The annual results have been prepared in accordance with Hong Kong Financial Reporting Standards (the "**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 (the "**HKICPA**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Market Overview

2020 was a year with unprecedented difficulties and profound impacts on the whole world. Global economy has badly suffered from the COVID-19 pandemic. China's macro-economy and almost all industries have been adversely affected by the COVID-19 pandemic. The growth rate of China's macro-economy had decreased significantly and the overall retail sales of consumer goods also declined in 2020. Although the COVID-19 outbreak seems to be largely under control in China, there were sporadic confirmed cases recently. It remains uncertain in the recovery of the overall economic activities.

Under the shadow of the pandemic, consumer product industry and retailing industry have been facing pressure from decreased consumer traffic, declined purchase intention, temporary suspension in production activities, interruption in supply chain, high fixed costs and so on. Consumer behavior and habit have also changed. On one hand, the scale of and the stickiness to online shopping continue to grow, and the acceleration of development in digital economy is also supposed to elevate the quality of online shopping. Online casual food industry has become more and more competitive. On the other hand, the development in new interactive methods during consumption is accelerating, such as the wide adoption of live streaming in daily life, which brought up a new sector with growth. In addition, public awareness about food safety continues to increase during the post pandemic period. Outstanding corporate branding will impact the consumers' choice and will facilitate in enhancing the corporate's core competitiveness.

While the pandemic brought disastrous impacts, it also started the conversion and upgrades for the new era of consumption. Various new business models have emerged and accelerated the development of new forms of consumption. Offline consumption has started to shift to online. On the other hand, the post-90's and 00's generations have become the major age group for domestic consumption, and are expected to be the largest group in the future. Driven by new consumption behavior, new consumer groups and new shopping channels, all industry players are required to develop greater abilities to establish their branding, distribution channels, precise marketing, new product research and development, as well as supply chain management. Companies that are able to address customer needs, leverage operating experience and intelligence, grow big-data capacity, connect market demands to supply chain, and complete integrated payment and delivery system, are expected to acquire more opportunities.

Overall Business and Financial Performance

Store Network Development

In 2020, in response to the adverse impacts of the COVID-19 pandemic on consumer traffic in certain regions, the Group continued to optimize its self-operated store network and accelerated the development of its franchise business by upgrading the "self-operation + franchise" business model. In 2020, it launched the single-store franchise model, which stimulated the exploration into new regional markets and penetration in existing markets.

At current stage, the offline store network of the Group was primarily consisted of self-operated retail stores. As of December 31, 2020, the total number of the Group's retail stores reached 1,755, comprising 1,157 self-operated retail stores and 598 franchised stores and covering 151 cities in 25 provinces, autonomous regions and municipalities in China.

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

Number of Self-operated and Franchised Retail Stores

	Year Ended December 31,			
	2020		2019	
	#	**%**	#	%
Geographic location				
Central China[1]	**734**	**41.8**	561	42.5
Southern China[2]	**414**	**23.6**	244	18.5
Eastern China[3]	**288**	**16.4**	217	16.4
Northern China[4]	**172**	**9.8**	188	14.2
Western China[5]	**147**	**8.4**	110	8.3
Total	**1,755**	**100.0**	1,320	100.0

Revenue Derived from Self-operated Retail Stores and Franchisees

	Year Ended December 31,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Geographic location				
Central China [(1)]	**850,160**	**52.5**	1,596,132	58.1
Southern China [(2)]	**316,465**	**19.5**	445,578	16.2
Eastern China [(3)]	**191,625**	**11.8**	313,668	11.4
Northern China [(4)]	**169,975**	**10.5**	302,931	11.0
Western China [(5)]	**92,567**	**5.7**	88,839	3.3
Total	**1,620,792**	**100.0**	2,747,148	100.0

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

(2) Comprises Guangdong Province, Fujian Province and Hainan Province.

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

(4) Comprises Beijing, Tianjin, Inner Mongolia Autonomous Region, Liaoning Province, Hebei Province, Shandong Province and Jilin Province.

(5) Comprises Chongqing, Sichuan Province, Shaanxi Province, Guizhou Province, Yunnan Province and Guangxi Zhuang Autonomous Region.

Continuous Implementation of Upgraded New Six Development Strategies

Since the beginning of 2020, the Group has speeded up its third strategic transformation and deepened the reformation. Leveraging the continuous implementation and execution of the upgraded six development strategies, the Group's franchise business had achieved greater than expected progress, and it had fully upgraded its business models. The Group's online operations also grew significantly. In addition, its overall cost control remained effective and the organizational strength also improved. In particular, its business experienced a remarkable recovery in the second half of 2020, which partially offset the adverse impact of the COVID-19 outbreak.

Upgrade of Business Model

Since the Group announced the commencement of its franchise business at the end of 2019, it has received great attention in this regard. After over one year of development, the Group considered market demand and its actual operational feedback and further upgraded its "self-operation + franchise" business model by launching the single-store franchise in mid-2020, which further expanded its franchise operation. Leveraging the rich experience in managing self-operated stores, the operational teams located across the country and the expanding radius of their management, the Group has completed the development and implementation of three franchise types, namely multi-store franchise, single-store franchise and employee-franchisee model, and has strengthened the strategic layout of its national store network and accelerated the expansion into new markets and penetration in existing markets.

With respect to franchisees, the Group continued to adopt stringing quality standards in selecting outstanding franchisees to partner with. It also has enhanced the management over franchisees and provided them with a complete suite of support and guidance in terms of marketing and operation. The Group conducts stringent review on performance of the franchisees it has partnered with on a regular basis and endeavors to generate mutual benefits and achieve a win-win situation. During the period of the COVID-19 outbreak, the Group launched several initiatives in favor of the franchisees to fight against the pandemic.

Despite the COVID-19 outbreak, the Group had achieved significant improvements in upgrading its business model and the development in franchise business had exceeded the initial estimation. As of December 31, 2020, the Group had in aggregate received over 29,000 franchisee applications. As of the same date, there were approximately 598 franchised stores across the country. Among these, 267 were multi-store franchise, 279 single-store franchise and the remaining 52 adopted employee-franchisee model. In 2020, revenue derived from franchise business amounted to approximately RMB140 million, with approximately RMB124 million recorded in the second half of 2020.

Omni-channel Coverage

The Group continued to implement its omni-channel strategy to cover multiple online and offline distribution channels. Empowered by various digitized applications, the Group aimed to explore various consumption scenarios to cover more consumers, products and consumption scenarios, to achieve consumer insight and reach through multiple channels, to enhance the visibility of the Group's brand, and to satisfy the consumption needs for impulsive and convenient purchase of casual food of various consumer groups. In addition to continue to develop its offline retail stores under the "self-operation + franchise" business model, the Group has also been focusing on the establishment of e-commerce, food take-out and new retail and community group-buys. It intends to further deepen the omni-channel operation by means of developing livestream e-commerce and engaging digital and intelligent operations.

In 2020, the COVID-19 pandemic caused various impacts and restrictions on people's consumption and daily life across China. In-store sales activities were strongly affected and the daily consumption has gradually switched to online. The Group closely followed the changes in such consumption scenarios and adjusted its marketing strategies promptly. Its online business achieved a remarkable success through expanding distribution channels, product research and development and digital empowerment. In terms of its distribution, the Group had established strategical presence on 10 new short-form video content platforms and livestreaming platforms, such as Tik Tok and Kuaishou, and maintained storefronts on various e-commerce marketplaces to further boost its product distribution. In terms of the products, the Group continued to enhance online product offerings by capturing the consumption trends and introduced 20 new ODM (original design manufacture) products, which increased the online traffic and the sales volume for the full year. Meanwhile, it continued to deepen its digitalization strategy to select precise marketing contents and identify and acquire targeted groups, which in turn, further facilitated the business growth. For the year ended December 31, 2020, revenue derived from the Group's online channels increased by 28.5% from 2019.

In 2020, the Group continued to establish the new retail and community group-buy channels to reach more consumers and to further optimize this new model with an aim to realize growth. It not only focused on the cooperation with modern supermarkets and convenience store chains, but also accelerated the strategic exposure and cooperation with online ordering and delivery platforms, fresh food e-commerce and social community commerce, especially considering the impacts on the consumption behavior brought by the COVID-19 outbreak and the fact that the sales from offline distribution channels have not fully recovered. Up to date, the Group's products had been available in new retail and community group-buy channels, such as Xingsheng Youxuan and Dingdong Maicai. Furthermore, the Group reviewed and optimized its product designs and positioning specified for new retail and community group-buy channels. It launched small-size packaged products which were customized for such distribution channel, so as to meet the consumer needs and increase their purchasing experience. Revenue derived from new retail and community group-buy channels amount of RMB66.4 million for the year ended December 31, 2020.

Product Diversification

Product innovation has been a significant driver for the Group's development. The Group intends to strengthen its brand image and consumer awareness through continuously innovating casual food products, enhancing product quality and developing a full range of Zhouheiya product series. Meanwhile, leveraging its big-data capacity to predict consumer profile such as basic demographic features, product preference and specific targeted groups, it continued to offer new products and increase the product diversification to cater to the different needs of various consumer groups and to increase the competitiveness of its products.

In 2020, the Group not only closely followed the market trends, but also, driven by its new product research and development system under the new full-cycle management process, continued the strategy to optimize product structure and broadened product offerings with a wide price range, multiple variety and suitable for different distribution channels. Such improved product structure has enabled the Group to attract consumers, thus facilitating in the recovery of in-store consumer traffic.

Firstly, the Group continued to focus on its most popular product series and developed a new flavor, namely the green peppercorn spicy series. It also introduced the popular duck cutlet product and new vegetarian products. These products were well welcomed by the market and satisfied the consumers' purchasing needs for different flavors and different product types. Besides product flavors, it also modified branding and marketing strategies and invested its efforts in product packaging so as to fully upgrade product packaging to switch the focus back to braised food products, and stimulate appetite. It launched customized products which were specifically designed for different consumption behaviors and scenarios, further improving shopping experience. In 2020, revenue derived from new products were significant, accounting for approximately 9.7% of total revenue for 2020 and 14.5% of revenue for the second half of 2020, respectively.

Integrated Branding and Marketing

Since early 2020, the Group reviewed its branding and marketing strategies and endeavored to focusing on products and consumer needs, implementing uniformed marketing and promotional themes. It endeavored to emphasize products and to enhance and integrate brand recognition at the same time and adopted the "one voice, one image, one Zhouheiya" strategy to fully deepen brand image and awareness and improve shopping experience.

In 2020, the Group consolidated and re-directed its media resources onto specific focuses. It actively acted on the Events of Supporting the Production Recovery of Hubei Province organized by the local government authorities and released livestreaming contents and short-form videos in cooperation with local authorities and state-run media, which had in aggregate accumulated over 100 million views. These events were endorsed by the local authorities and state-run media, which in turn, further enhanced the influence of its brand image among major consumer groups. Meanwhile, upgrading product packaging and store image continued to create strong visual impact, which facilitated in boosting in-store sales, improving store images and increasing store efficiency. In addition, it adopted a new slogan "No appetite? Let's eat Zhou Hei Ya" (沒滋味？就吃周黑鴨) to extend the consumption minds, encourage more interactions with young consumers, and further solidify a young and vital brand image.

The Group actively explored different types of social media, including long- and short-form videos and livestreaming platforms, and selectively identify KOLs and influencers to form cross-promotional campaigns which not only enabled the Group to increase the brand exposure and interaction with more consumers, but also helped the Group to understand the consumer preferences and their feedback. Additionally, it was also able to produce and release contents which were specially tailored based on features of consumer groups on different platform, generating highly engaged online trending topics, continuing to enhance brand recognition through spread by online followers and driving sales.

In 2020, the Group was recognized by a number of brand lists. For example, Zhouheiya was awarded as a 500 Most Valuable Brand in China in 2020 by the World Brand Lab, and the Top 30 China Charity Ranking for Listed Food Companies during the COVID-19 Pandemic released by iiMedia Ranking. The Group succeeded in accumulating members and brand awareness, while the branding and marketing expenses decreased by approximately 38.1% from 2019 to 2020.

Organizational Capacity Enhancement

A high quality organization is the foundation for a company to execute strategies and realize rapid growth. The Group endeavors to establish a highly effective and performance oriented organizational structure, so as to achieve the sustainable development.

First of all, with respect of organizational capabilities, the Group continued to optimize organizational structure by steadily transforming the vertical functional management model to a platform organization. It accelerated the comprehensive capability development for all departments under the headquarters in terms of strategy developing, planning, collaborating, supporting and supervising capabilities. It also continued to acquire high quality talents and organized a number of training camps to empower employees with different positions so as to fully accomplish the execution of the Group's development strategies at different group level. At the same time, it reviewed its office positions and employees based on its employee capacity models and management stack-ranking system, which enabled it to better control labor costs. In addition, it strengthened the internal trainings for employees at different levels in terms of comprehensive abilities capabilities during the lockdown period. Average training hours per person reached over 30 hours.

In addition, in terms of organizational motivation, the Group adopted incentive plans to motivate the employees. Firstly, in 2020, the Group has implemented its first incentive plan pursuant to which 24 persons were awarded an aggregate of approximately 4,580,900 ordinary shares of the Company as the base incentive pool, the final awards of which will be subject to the adjustments based on the Group's and the employees' performance. It intends to issue more awards to motivate additional high quality employees under the incentive plan so as to ensure the sustainable development of the entire organization. Secondly, considering the recovery in the performance of the self-operated retail stores, the Group initiated new personal bonus mechanism to motivate the front line employees. It also had implemented the vitality curve management system to evaluate the comprehensive performance of employees which allowed the Group to optimize performance management and enhance organizational efficiency. It further encouraged outstanding employees to pursue the employee-franchisee business, further motivating organizational energy.

In 2020, the Group implemented flexible employment plans and its labor costs decreased by 19.6% as compared to 2019. Meanwhile, it has won the Best Employer Prize in 2020 issued by CHIRC and the Best Practice in Talent Acquisition in 2020 in China issued by SHL China Limited.

Supply Chain Optimization

Continuous optimization of production capacity and supply chain to suit the market demands and store allocations is one of the Group's long term development strategies. In 2020, the Group had established an integrated supply chain management system and achieved the ability to manage and plan the overall production. The Group was able to budget raw material procurement, actual production activities, warehousing and sorting, and logistic arrangements, each based on the rolling sales forecasts and to adopt delicacy management. As such, the Group managed to control and operate its supply chain in a more cost efficient way.

The Group strategically maintains five processing facilities across China. Each of the processing facilities in northern, central and southern China meets the class 100,000 cleanliness standard and is with highly automation level. The eastern China processing facility has newly commenced operation in January 2021. It is also currently constructing one additional facility in western China, which is expected to commence operation in 2022. Leveraging the radius of service of these five facilities and the synergetic advantages from big-data empowered back-end controls, it is able to shorten the delivery distance, prolong products' shelf life, and lead to flexible production capacity, which further, facilitates it to address the potential regional market risks and ensure the sustainable expansion of national distribution network and other frontline operations. Meanwhile, the Group adopts delicacy production management which includes different procedures like collective procurement, refining local processing techniques, dynamic logistic arrangements and so on, which allowed the Group to continue to reduce production costs.

Along with the development of franchise business, the penetration into new retail and community group-buy channels, as well as the optimization of national store network, the Group will continue to review and optimize its logistic systems, including dynamic route arrangements, timely adjustments subject to needs and time requirements, lowered logistic costs for all channels. It intends to achieve the balance among quality, costs and efficiency and to further enhance the automation level of its processing procedures.

In 2020, Zhouheiya brand was recognized as a Wuhan Famous Brand by International Accreditation Cooperation of Wuhan Famous Brand. Furthermore, the Group participated in the establishment of national modified atmosphere packaged braised meat products led by the China Meat Association, which further enhanced its influence in the industry.

Industry and Business Outlook

Up to date, despite the stringent outbreak control policies, and the slow recovery of domestic economy there remained sporadic confirmed cases of COVID-19 in China. Offline consumer traffic is still being affected. Given current status and the fact that it takes time to achieve a high vaccination coverage in a near term, it is highly uncertain as to how long the pandemic may last. The global economy may still be struggling under the shadow of the pandemic. In the short term, retailing industry still faces difficulties like, reduced in-store consumer traffic, lower consumption willingness and changes in consumption habits and so on.

The Group estimates that the prolonged pandemic will have an adverse impact on its operation, and in turn, the financial performance in the short run. However, in the long run, the Group is still optimistic for its development in the industry. 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. Meanwhile, facing with current challenges and opportunities, the Group will continue to execute its new six development strategies and develop core strengths, which enabled it to reallocate, grasp market opportunities from young consumers and new consumption patterns, and further increase market share. In 2020, the Group's franchise business has grown stably and its online business has experienced a robust increase, evidencing that the Group's omni-channel development and business model upgrade strategies have exceeded initial expectations. The Group has confidence in overcoming the short term difficulties from the adverse operational environment, capturing development opportunities, efficiently executing its new six development strategies, and continuing the development of digital and intelligent capabilities to support its long term robust development.

In 2021, the Group will continue to execute its new six development strategies and to further promote and implement the following:

- Further to integrate franchise with self-operation and leverage the dual drivers to increase the market share;

- Utilize technical empowerments and digitized applications to boost the omni-channel operational capacity;

- Continue to optimize product innovation system, facilitating multi-channel distribution;

- Upgrade store image to promote brand image refreshment and brand marketing efficiency;

- Continue to innovate organizational structure and to fully enhance organizational dynamics; and

- Continue to expand production capacity, establish integrated supply chain network and further optimize supply chain capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's consolidated statements of profits or loss and other comprehensive income in absolute amounts and as a percentage of the Group's total revenue for the periods indicated, together with the change from 2019 to 2020 (expressed in percentages).

	Year Ended December 31,				Year-on-year Change
	2020		2019		
	RMB'000	**%**	RMB'000	%	%
Revenue	**2,181,502**	**100.0**	3,186,040	100.0	(31.5)
Cost of sales	**(971,346)**	**(44.5)**	(1,384,640)	(43.5)	(29.8)
Gross profit	**1,210,156**	**55.5**	1,801,400	56.5	(32.8)
Other income and gains, net	**147,689**	**6.8**	125,249	3.9	17.9
Finance cost	**(39,556)**	**(1.8)**	(32,123)	(1.0)	23.1
Selling and distribution expenses	**(916,737)**	**(42.0)**	(1,132,592)	(35.5)	(19.1)
Administrative expenses	**(228,147)**	**(10.5)**	(224,461)	(7.0)	1.6
Share of profit of an associate	**26,653**	**1.2**	7,737	0.2	244.5
Profit before tax	**200,058**	**9.2**	545,210	17.1	(63.3)
Income tax expense	**(48,837)**	**(2.2)**	(137,762)	(4.3)	(64.5)
Profit for the year	**151,221**	**6.9**	407,448	12.8	(62.9)
Other comprehensive income that may be reclassified to or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**14,898**	**0.7**	(3,698)	(0.1)	(502.9)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**14,898**	**0.7**	(3,698)	(0.1)	(502.9)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**(75,677)**	**(3.5)**	35,170	1.1	(315.2)

	Year Ended December 31,				Year-on-year Change
	2020		2019		
	RMB'000	**%**	RMB'000	%	%
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(75,677)**	**(3.5)**	35,170	1.1	(315.2)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(60,779)**	**(2.8)**	31,472	1.0	(293.1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**90,442**	**4.1**	438,920	13.8	(79.4)
Basic and diluted earnings per share (RMB)	**0.07**	**N/A**	0.18	N/A	(62.9)

Revenue

The Group's total revenue decreased by 31.5% from RMB3,186.0 million for the year ended December 31, 2019, to RMB2,181.5 million for the year ended December 31, 2020 which was primarily due to the decrease in sales as a result of the COVID-19 outbreak across China which caused a significant decrease of consumer traffic to retail stores, especially in central China area. The overall operation and sales of the Group had been improving since the second half of 2020 but the recovery of consumer traffic in Hubei as well as in areas surrounding transport hubs was relatively slow. Moreover, the COVID-19 outbreak has switched the focus of major consumption scenario to online. Revenue derived from online channels increased as compared to 2019. Meanwhile, the Group has deepened the development of franchise business and new retail and community group-buy channels in 2020, as a result of which, it recorded revenue of RMB140.1 million and RMB66.4 million, respectively, from franchisees and new retail and community group-buy channels in 2020, partially offset the adverse impacts from the COVID-19 outbreak.

Cost of Sales

Cost of sales decreased by 29.8% from RMB1,384.6 million for the year ended December 31, 2019 to RMB971.3 million for the year ended December 31, 2020, which was in line with the decreased sales mainly as a result of the COVID-19 outbreak.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by 32.8% from RMB1,801.4 million for the year ended December 31, 2019 to RMB1,210.2 million for the year ended December 31, 2020, and the Group's gross profit margin slightly decreased from 56.5% in the year ended December 31, 2019 to 55.5% in the year ended December 31, 2020.

Other Income and Gains, Net

The Group's other income and gains, net increased by 17.9% from RMB125.2 million for the year ended December 31, 2019 to RMB147.7 million for the year ended December 31, 2020. The increase was primarily due to (i) an increase in foreign exchange gain, (ii) the fair value gain resulting from foreign exchange forward contracts the Company used to manage its currency risk, and (iii) an increase in interest income and fair value gain from wealth management products partially offset by (i) a decrease in government grants, (ii) donations of cash and medical supplies to fight against the epidemic, (iii) loss from disposal of right-of-use assets and lease liabilities, (iv) a decrease in interest income from bank deposits, and (v) loss from fair value change in connection with the Convertible Bonds (as defined below).

Finance Cost

Finance expense increased by 23.1% from RMB32.1 million for the year ended December 31, 2019 to RMB39.6 million for the year ended December 31, 2020, which was mainly attributable to an increase in interest expense in connection with the increased bank borrowings and the Convertible Bonds.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 19.1% from RMB1,132.6 million for the year ended December 31, 2019 to RMB916.7 million for the year ended December 31, 2020. The decrease was primarily due to a decrease in rental expenses in connection with the Group's store network, a decrease in salary and welfare for selling personnel and a decrease in advertising and marketing expenses, which was generally in line with the slowed business operation of the Group during the year as a result of the COVID-19 outbreak.

Administrative Expenses

The Group's administrative expenses slightly increased by 1.6% from RMB224.5 million for the year ended December 31, 2019 to RMB228.1 million for the year ended December 31, 2020.

Shares of Profit of an Associate

For the year ended December 31, 2020, the Group incurred shares of profit of an associate of RMB26.7 million in connection with the equity interest in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) (the "**Tiantu Partnership**"), resulting from fair value gains on the associate's investees and partially net off by the administration expenses of the associate.

Profit Before Tax

As a result of the foregoing, the Group recorded profit before tax of RMB200.1 million for the year ended December 31, 2020, decreased by 63.3% from RMB545.2 million for the year ended December 31, 2019.

Income Tax Expense

Income tax expense decreased by 64.5% from RMB137.8 million for the year ended December 31, 2019 to RMB48.8 million for the year ended December 31, 2020, primarily due to the decrease in the Group's taxable income.

Profit for the Year

As a result of the foregoing, the Group's net profit decreased by 62.9% from RMB407.4 million for the year ended December 31, 2019 to RMB151.2 million for the year ended December 31, 2020. Primarily because the Group experienced decreases in revenue and gross profit in 2020 as affected by the COVID-19 outbreak, while it inevitably maintained certain fixed costs and expenses, the Group's net profit margin decreased from 12.8% in the year ended December 31, 2019 to 6.9% in the year ended December 31, 2020.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations changed from other comprehensive gain of RMB31.5 million for the year ended December 31, 2019 to other comprehensive loss of RMB60.8 million for the year ended December 31, 2020, 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, 2020 decreased by 79.4% to RMB90.4 million from RMB438.9 million for the year ended December 31, 2019.

Non-GAAP Measure

To supplement the Group's consolidated financial statements which are presented in accordance with HKFRS, the Group uses adjusted net profit as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net profit is calculated by deducting donations and anti-epidemic related expenses the Group incurred in connection with the COVID-19 outbreak. The table below sets forth the reconciliation of profit for the period to adjusted net profit.

	Year Ended December 31,	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**151,221**	407,448
Add:		
Donations	**12,591**	–
Anti-epidemic expense	**3,731**	–
Adjusted net profit[1]	**167,543**	407,448

(1) Adjusted net profit is an unaudited non-GAAP item. The Group uses such unaudited non-GAAP adjusted net profit 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 eliminating the impact of certain unusual and non-recurring item that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate this non-GAAP item differently from the Group does. This non-GAAP item is not a measure of operating performance or liquidity under HKFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with HKFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under HKFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

Liquidity and Capital Resources

In the year ended December 31, 2020, the Group financed its operations 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.

In addition, in November 2020, the Company completed and executed its offering of convertible bonds due 2025 in the aggregate principal amount of HK$1,550.0 million, bearing interest at the rate of 1% per annum (the "**2025 Bonds**" or the "**Convertible Bonds**"). Please refer to the announcements of the Company dated October 28, 2020 and November 5, 2020 for more details. The estimated net proceeds from the issuance of the 2025 Bonds, after deducting the relevant commissions and other estimated expenses payable, are approximately HK$1,519.8 million. The net proceeds from the issuance of the 2025 Bonds will be used (i) to further penetrate in existing markets and explore new business opportunities; (ii) to enhance product innovation, research and development capabilities; and (iii) for working capital and for general corporate purposes.

Capital Structure

As of December 31, 2020, the Group had net assets of approximately RMB4,100.9 million, as compared to RMB4,238.4 million as of December 31, 2019, primarily comprising current assets of RMB4,324.2 million, non-current assets of approximately RMB2,590.7 million, current liability of RMB1,261.4 million and non-current liability of approximately RMB1,552.6 million.

As of December 31, 2019 and 2020, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**"), U.S dollars ("**USD**") and Hong Kong Dollars ("**HKD**"), with small amount denominated in Euro.

Cash and Bank Balances

As compared with RMB1,237.0 million as of December 31, 2019, the Group had cash and bank balances of approximately RMB1,583.8 million as of December 31, 2020, which was consisted of unrestricted cash and bank balances of approximately RMB271.4 million and term deposits of RMB1,312.4 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 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 IPO

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, 2020 was RMB768.6 million.

The table below sets forth the use of proceeds by the Group as of December 31, 2020:

	Budget	Amount that had been utilized as of December 31, 2019	Amount that was used in the year ended December 31, 2020	Remaining balance as of December 31, 2020	Expected timeline of utilization[1]
			(In RMB million)		
Construction and improvement of processing facilities	1,258.3	858.3	107.0	293.0	in three years
Development of retail network	167.8	106.7	24.3	36.8	in one year
Branding image campaigns, including the e-commerce marketing campaigns	394.3	210.2	35.2	148.9	in one year
Improvement of research and development	45.2	17.0	8.2	20.0	N/A[2]
Acquisition and strategic alliances	145.2	17.9	–	127.3	N/A[2]
Upgrades of information technology systems, including the enterprise resource planning system	96.2	56.3	6.5	33.4	in two years
General replenishment of working capital	345.2	176.0	60.0	109.2	in one year
Total	**2,452.2**	**1,442.4**	**241.2**	**768.6**	

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, 2020, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

Use of Proceeds from the 2025 Bonds

The Company completed the offering of the 2025 Bonds in November 2020 and the net proceeds from the issuance of the 2025 Bonds, after deducting the relevant commissions and other estimated expenses payable, are approximately HK$1,519.8 million. Please refer to the section headed "Liquidity and Capital Resources" for details about the proposed use of proceeds from the 2025 Bonds. As of December 31, 2020, the Group had not utilized any net proceeds which had been deposited into short-term deposits and money market instruments, including structured deposits.

Indebtedness

As of December 31, 2020, the Group had an aggregate bank borrowings of RMB400.8 million, all of which will be due within one year. Such outstanding bank borrowings were bearing fix interest rates and denominated in Renminbi and U.S. dollars. As of the date of this announcement, approximately RMB210.8 million had been fully repaid by the due dates with the remaining unexpired yet.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. As of December 31, 2020 the Group's gearing ratio increased from 22.6% as of December 31, 2019 to 40.7% as of December 31, 2020, which was primarily due to the 2025 Bonds of RMB1,290.3 million and an increase of RMB400.8 million in bank borrowings for business operations in 2020.

In addition, the Company completed the offering of the 2025 Bonds in November 2020, see section entitled "Liquidity and Capital Resources" for more details.

Pledged Assets

As of December 31, 2020, the Group had pledged bank deposits of RMB380.1 million (December 31, 2019: RMB209.3 million) which were pledged as securities for the bank borrowing of RMB370.1 million (December 31, 2019: nil). In addition, a domestic subsidiary of the Company has guaranteed certain of the Group's bank loans up to RMB30.0 million (2019: nil). The group has also guarantee deposits of RMB4.0 million in connection with the construction of its processing facility (December 31, 2019: RMB4.0 million).

Save as the liabilities summarized and disclosed above, as of December 31, 2020, the Group had no other outstanding mortgage, charges, guarantee or other material contingent liabilities.

Cash Flows

For the year ended December 31, 2020, net cash generated from operating activities decreased to approximately RMB534.8 million from RMB756.5 million for the year ended December 31, 2019, which was mainly attributable to profit before tax of RMB200.1 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) profit before tax decreased by RMB345.2 million, while income tax paid decreased by RMB94.7 million; (ii) inventory decreased by RMB105.2 million mainly due to the decreased production activities; (iii) other payables and accruals increased by RMB128.3 million; (iv) a decrease in year-end trade payables of RMB35.6 million due to reduced procurement in the relevant period; and (v) a decrease in year-end trade receivables of RMB30.8 million.

For the year ended December 31, 2020, net cash used in investing activities was approximately RMB1,544.5 million, while the cash from investing activities was approximately RMB60.9 million for the year ended December 31, 2019, which was mainly attributable to (i) purchases of structured deposits and financial assets as fair value through profit or loss in the aggregate amount of RMB3,748.4 million, (ii) an increase of term deposits of maturity over three months of RMB265.7 million, partially offset by (i) redemption of structured deposits and financial assets measured at fair value through profit or loss (or "**FVTPL**") in the aggregate amount of RMB2,556.6 million, (ii) interest from structured deposits and other financial assets measured as fair value through profit or loss of RMB27.1 million, and (iii) an aggregate of RMB39.1 million received as relocation compensation and government grants from local authorities.

For the year ended December 31, 2020, net cash generated from financing activities was approximately RMB1,101.2 million, while the net cash used in financing activities was approximately RMB748.9 million for the year ended December 31, 2019, which was mainly attributable to proceeds received from the issuance of the 2025 Bonds of RMB1,304.5 million and bank borrowings of RMB400.8 million, partially offset by the dividends paid in the amount of RMB232.9 million in 2020 and lease rental payments of RMB170.3 million.

Structured Deposits and Financial Assets Measured at FVTPL

The Group from time to time invests in asset management products, primarily structured deposits and financial assets measured at FVTPL, 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. The Group's financial assets measured at FVTPL were mainly investments in equity funds, which generally are not principal-protected nor return-guaranteed. Such investments also typically have a fixed short term and are relatively low risk in nature. As of December 31, 2020, the Group had a balance of structured deposits and financial assets measured at FVTPL in the amount of approximately RMB1,840.0 million. Up to the date of this announcement, approximately RMB1,438.0 million out of the RMB1,840.0 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits and financial assets measured at FVTPL 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, 2020, interest income from structured deposits and financial assets measured at FVTPL amounted to RMB27.8 million (December 31, 2019: approximately RMB26.4 million).

As of December 31, 2020, the Group had a balance of non-current financial asset measured at FVTPL in the amount of approximately RMB120.0 million. The investment of non-current financial asset measured at FVTPL was a private equity fund, of which the Group is a limited partner. The private equity fund is managed by an independent professional fund manager approved by Asset Management Association of China for a period of five years.

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. The Group generally considers investments in low-risk products issued by qualified commercial banks or other financial institutions. 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. The Directors are of the view that the terms and conditions of its structured deposits and financial asset measured at FVTPL 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 RMB142.5 million as of December 31, 2020, 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 and the issuance of the 2025 Bonds.

Contingent Liabilities and Guarantees

As of December 31, 2020, 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 2020 and in the period subsequent to December 31, 2020 and up to March 24, 2021, 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.

Restricted Share Unit Scheme

The Company adopted its Restricted Share Unit Scheme (the "**RSU Scheme**") on July 25, 2018. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of the Group for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. The Board has the power to administer the RSU Scheme. The Board may, from time to time and at its sole discretion, select any eligible person, as defined in the RSU Scheme, to participate in the RSU Scheme and determine the number of Shares to be granted and the terms and conditions of the grant.

As of the date of this announcement, pursuant to the RSU Scheme, the RSUs representing 4,580,900 shares of the Company with par value of US$0.000001 each were granted to 24 selected persons, of which (i) RSUs representing 1,674,200 shares were granted to two selected persons who are directors of the Company; and (ii) RSUs representing 2,906,700 shares were granted to 22 selected persons who are employees of the Group. The underlying shares concerned represented 0.2% of the Company's issued shares.

Please refer to the Company's announcements dated July 25, July 31 and October 24, 2018 for a detailed summary of its RSU Scheme and the announcement dated April 20, 2020 for the details in connection with the grants of the RSUs.

Turnover Ratios

Average inventory turnover days increased from 91.5 days in 2019 to 114.1 days in 2020, 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, while the production activities slowed down in 2020 due to the COVID-19 outbreak which slowed down the turnover of raw materials.

Average trade receivables turnover days increased from 3.7 days in 2019 to 8.4 days in 2020, primarily due to the slowed down payment settlement with certain third parties who collected payments on behalf of the Group as affected by the COVID-19 outbreak as well as the relatively longer credit terms we granted to certain ecommerce platforms when we renewed the cooperation with them in 2020.

Average trade payables turnover days increased from 27.6 days in 2019 to 38.6 days in 2020, 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, 2020, the Group had a total of 3,939 employees, among which 54.5% were retail store operations and sales staff and 15.6% 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, 2020, the Group incurred total labor costs of RMB398.8 million, representing 18.3% of total revenue of the Group.

Top Suppliers and Top Customers

In the year ended December 31, 2020, purchases from the Group's largest duck supplier in terms of RMB amount accounted for 4.7% of total purchase cost and the aggregate purchases from its top five duck suppliers in terms of RMB amount in aggregate accounted for 18.3% of total purchase cost.

Due to the nature of the Group's business, in the year ended December 31, 2020, revenue derived from its top five customers accounted for less than 30% of total revenue.

Reserves

As of December 31, 2020, the Group's reserves available for distribution to shareholders amounted to approximately RMB1,755.8 million.

Subsequent Events

No material events were undertaken by the Group subsequent to December 31, 2020.

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended December 31, 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020**	**2019**
		RMB'000	**RMB'000**
REVENUE	*3(a)*	**2,181,502**	3,186,040
Cost of sales		**(971,346)**	(1,384,640)
Gross profit		**1,210,156**	1,801,400
Other income and gains, net	*3(c)*	**147,689**	125,249
Finance costs	*4*	**(39,556)**	(32,123)
Selling and distribution expenses		**(916,737)**	(1,132,592)
Administrative expenses		**(228,147)**	(224,461)
Share of profits and losses of an associate		**26,653**	7,737
PROFIT BEFORE TAX	*5*	**200,058**	545,210
Income tax expense	*6*	**(48,837)**	(137,762)
PROFIT FOR THE YEAR		**151,221**	407,448
Attributable to:			
Owners of the parent		**151,221**	407,448
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		**14,898**	(3,698)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**14,898**	(3,698)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**(75,677)**	35,170
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**(75,677)**	35,170
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(60,779)**	31,472
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**90,442**	438,920
Attributable to:			
Owners of the parent		**90,442**	438,920
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)		**0.07**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020	2019
		RMB'000	**RMB'000**
NON-CURRENT ASSETS			
Property, plant and equipment		**1,407,646**	1,409,390
Right-of-use assets	*9(a)*	**568,581**	843,671
Prepayments		**15,328**	20,963
Rental deposits		**90,453**	86,333
Other intangible assets		**30,719**	35,450
Investment in an associate	*10*	**277,069**	250,416
Other financial assets at fair value through profit or loss, non-current	*13*	**120,000**	–
Deferred tax assets		**80,880**	70,448
Total non-current assets		**2,590,676**	2,716,671
CURRENT ASSETS			
Inventories		**255,191**	360,388
Trade receivables	*11*	**66,250**	35,405
Prepayments, other receivables and other assets		**175,460**	157,880
Structured deposits	*12*	**232,204**	760,861
Other financial assets at fair value through profit or loss, current	*12*	**1,607,798**	–
Derivative financial instruments		**19,417**	–
Restricted cash		**384,066**	210,024
Cash in transit		**68**	697
Cash and bank balances		**1,583,761**	1,236,990
Total current assets		**4,324,215**	2,762,245
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**400,765**	–
Derivative financial instruments	*14*	**50,184**	–
Trade payables	*15*	**86,393**	121,988
Other payables and accruals		**459,353**	331,699
Government grants, current		**2,372**	1,464
Lease liabilities, current	*9(b)*	**224,414**	219,486
Income tax payable		**38,002**	64,232
Total current liabilities		**1,261,483**	738,869
NET CURRENT ASSETS		**3,062,732**	2,023,376
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,653,408**	4,740,047

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2020

	Notes	**2020**	**2019**
		RMB'000	**RMB'000**
NON-CURRENT LIABILITIES			
Convertible bonds	*14*	**1,240,150**	–
Other payables and accruals, non-current		**16,868**	–
Deferred tax liabilities		**40,562**	17,172
Government grants, non-current		**53,670**	47,918
Lease liabilities, non-current	*9(b)*	**201,305**	436,548
Total non-current liabilities		**1,552,555**	501,638
NET ASSETS		**4,100,853**	4,238,409
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**16**	16
Treasury shares		**(263,525)**	(263,525)
Reserves		**4,364,362**	4,501,918
TOTAL EQUITY		**4,100,853**	4,238,409

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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 13 May 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 11 November 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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's retail stores and office buildings have been reduced or waived by the lessors upon reducing the scale of sales as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB38,836,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020	2019
	RMB'000	RMB'000
Types of goods or service		
Modified-Atmosphere-Packaged products	**1,895,116**	2,803,353
Vacuum-packaged products	**253,041**	357,889
Franchise fees of retail stores	**5,120**	55
Other products	**28,225**	24,743
Total revenue from contracts with customers	**2,181,502**	3,186,040

	2020	2019
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at point in time	**2,176,382**	3,185,985
Service transferred over time	**5,120**	55
	2,181,502	3,186,040

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Franchise fee	**672**	–
	672	–

(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 franchisees and distributors, where payment in advance is normally required.

Franchise fees of retail stores

The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services. Generally, franchise fees contracts are for periods of more than one year, and the franchise fees are billed according to the contracts.

3. REVENUE, OTHER INCOME AND GAINS, NET (continued)

(b) Performance obligations (continued)

Franchise fees of retail stores (continued)

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**23,694**	672
After one year	**16,868**	–
	40,562	672

(c) Other income and gains, net

	Notes	2020	2019
		RMB'000	RMB'000
Other income and gains, net			
Interest income from bank deposits		**45,243**	55,976
Interest income from structured deposits		**15,706**	26,351
Interest income from other financial assets at FVTPL		**12,081**	–
Fair value loss on structured deposits measured at FVTPL		**(1,626)**	2,137
Fair value gain on other financial assets measured at FVTPL		**8,291**	–
Fair value gain on derivative instruments – transactions not qualifying as hedges		**19,417**	–
Fair value loss on financial instruments – embedded derivative component of convertible bonds	*14*	**(3,843)**	–
Loss on disposal of items of property, plant and equipment, net		**(1,075)**	(1,040)
Loss on disposal of items of right-of-use assets	*9*	**(12,096)**	–
Impairment of right-of-use assets	*9*	**(1,724)**	–
Gain/(loss) on foreign exchange differences		**50,388**	(15,755)
Government grants*		**20,625**	50,613
Donation expense		**(12,591)**	–
Others		**8,893**	6,967
Total		**147,689**	125,249

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

4. FINANCE COSTS

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

	2020	2019
	RMB'000	RMB'000
Interest on bank loans	**10,924**	–
Interest on convertible bonds	**6,505**	–
Interest on lease liabilities	**22,127**	32,123
Total	**39,556**	32,123

5. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	RMB'000
Cost of inventories sold	**764,609**	1,135,257
Depreciation of property, plant and equipment	**119,938**	119,558
Depreciation of right-of-use assets	**279,820**	309,614
Amortisation of other intangible assets	**12,286**	10,012
Auditor's remuneration	**2,180**	2,180
Lease payments not included in the measurement of lease liabilities	**56,240**	93,060
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**335,955**	398,366
Pension scheme contributions	**27,554**	66,032
Equity-settled share-based payment expense	**4,928**	–
Other welfare	**30,330**	31,883
Advertising and promotion expenses	**38,036**	61,439
E-commerce and online ordering platform related service and delivery fees	**166,247**	150,557
Fuel cost	**15,633**	23,409
Utility expenses	**39,456**	47,142
Share of profits and losses of an associate	**(26,653)**	(7,737)
Finance costs	**39,556**	32,123
Transportation expenses	**56,452**	81,221
(Gain)/loss on foreign exchange differences	**(50,388)**	15,755
Interest income from bank deposits	**(45,243)**	(55,976)
Interest income from structured deposits	**(15,706)**	(26,351)
Interest income from other financial assets at FVTPL	**(12,081)**	–
Fair value loss/(gain) on structured deposits measured at FVTPL	**1,626**	(2,137)
Fair value gain on other financial assets measured at FVTPL	**(8,291)**	–
Fair value loss on financial instruments embedded derivative component of convertible bonds	**3,843**	–
Fair value gain on derivative instruments – transactions not qualifying as hedges	**(19,417)**	–
Loss on disposal of items of property, plant and equipment	**1,075**	1,040
Loss on disposal of items of right-of-use assets	**12,096**	–
Impairment of right-of-use assets	**1,724**	–

6. INCOME TAX

The major components of income tax expenses are as follows:

	2020	2019
	RMB'000	RMB'000
Current income tax in the PRC	**35,894**	154,133
Deferred tax	**12,943**	(16,371)
Total tax charge for the year	**48,837**	137,762

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 the PRC is based on a statutory rate of 25% (2019: 25%) of the assessable profits of the 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% (2019: 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. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

7. DIVIDENDS

	2020	2019
	RMB'000	RMB'000
Dividends declared	**160,075**	239,522

The board has recommended the payment of a final dividend of HK$0.08 (equivalent to RMB0.07) per ordinary share for the year ended 31 December 2020, representing a total payment of approximately RMB160,075,000 including RMB4,394,000 of a dividend attributable to the repurchased shares held by the trustee of the Group for a 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 earning per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,317,728,500 (2019: 2,317,728,500) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds (when applicable). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**151,221**	407,448
Add: Interest on convertible bonds	**6,505**	–
Fair value loss on the derivative component of the convertible bonds	**3,843**	–
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**161,569**	407,448
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,317,728,500**	2,317,728,500
Effect of dilution – weighted average number of ordinary shares:		
Restricted share unit scheme	**1,615,620**	–
Convertible bonds	**22,866,175**	–
	2,342,210,295*	2,317,728,500
Earnings per share:		
Basic (RMB)	**0.07**	0.18
Diluted (RMB)	**0.07**	0.18

* Because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for the year and the profit attributable to continuing operations of RMB151,221,000 and RMB151,221,000, respectively, and the weighted average number of ordinary shares of 2,319,344,120 in issue during the year.

9. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties 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 7 years. Motor vehicles generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are certain lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

	Leasehold land	**Properties**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
As at 1 January 2019	128,898	731,344	860,242
Additions	24,406	268,637	293,043
Depreciation charge	(3,542)	(306,072)	(309,614)
As at 31 December 2019 and 1 January 2020	149,762	693,909	843,671
Additions	3,317	160,025	163,342
Depreciation charge	(3,335)	(277,718)	(281,053)
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(49,713)	(49,713)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(105,942)	(105,942)
Impairment	–	(1,724)	(1,724)
As at 31 December 2020	149,744	418,837	568,581

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 province, the PRC, with lease periods of 50 years.

During 2020, RMB1,233,000 (2019: RMB1,406,000) of amortisation of the prepaid land lease payments was capitalised as part of the construction costs of the factory in Nantong City, Chengdu City and Qianjiang City.

9. **LEASES (continued)**

The Group as a lessee (continued)

(b) Lease liabilities

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

	2020	2019
	RMB'000	RMB'000
Carrying amount at 1 January	**656,034**	659,538
New leases	**122,333**	213,134
Accretion of interest recognised during the year	**22,127**	32,123
Covid-19-related rent concessions from lessors	**(38,836)**	–
Payments	**(192,380)**	(248,761)
Reassessment of a lease term arising from a decision not to exercise the extension option	**(47,324)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(96,235)**	–
Carrying amount at 31 December	**425,719**	656,034
Analysed into:		
Current portion	**224,414**	219,486
Non-current portion	**201,305**	436,548

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

	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	**22,127**	32,123
Depreciation charge of right-of-use assets	**279,820**	309,614
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in selling and distribution expenses and cost of sales)	**8,267**	35,840
Expense relating to leases of low-value assets (included in administrative expenses)	**–**	–
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales and selling and distribution expenses)	**47,973**	57,220
Covid-19-related rent concessions from lessors	**(38,836)**	–
Loss on disposal of right-of-use assets	**12,096**	–
Impairment of right-of-use assets	**1,724**	–
Total amount recognised in profit or loss	**333,171**	434,797

10. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	**277,069**	250,416

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

Name	Place of incorporation	Percentage of voting power	Principal activity
Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) ("**Shenzhen Tiantu Xingnan**")	PRC	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 RMB1,000,000,000 of this fund. As at 31 December 2020 and 2019, the Group has contributed RMB250,000,000 to Shenzhen Tiantu Xingnan.

In March 2019, as a third-party limited partner newly invested capital of RMB166,500,000 into the fund, the Group's paid-in contribution of RMB250,000,000 represented 37.51% of the total paid-in capital of this fund.

In December 2019, as another third-party limited partner newly invested capital of RMB100,000,000 into the fund, the Group's paid-in contribution of RMB250,000,000 represented 32.62% of the total paid-in capital of this fund.

In October 2020, as one of the current limited partner increased its capital by RMB82,000,000 invested into the fund, the Group's paid-in contribution of RMB250,000,000 represented 29.46% of the total paid-in capital of this fund as of 31 December 2020.

The following table illustrates the summarised financial information in respect of Shenzhen Tiantu Xingnan, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000
Current assets	**3,562**	199,806
Non-current assets	**937,016**	577,559
Current liabilities	**(206)**	(9,592)
Net assets	**940,372**	767,773
Proportion of the Group's ownership	**29.46%**	32.6%
Carrying amount of the investments	**277,069**	250,416
Revenue	**–**	–
Profit for the year	**90,599**	15,916
Total comprehensive income for the year	**90,599**	15,916

11. TRADE RECEIVABLES

	2020	2019
	RMB'000	**RMB'000**
Trade receivables	**66,250**	35,405
Less: Impairment provision	**–**	–
	66,250	35,405

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 ageing 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:

	2020	2019
	RMB'000	**RMB'000**
Within 3 months	**65,840**	35,320
3 to 12 months	**410**	85
	66,250	35,405

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. STRUCTURED DEPOSITED AND OTHER FINANCIAL ASSETS MEASURED AT FVTPL

	Notes	**2020**	2019
		RMB'000	**RMB'000**
Current:			
Structured deposits			
Other unlisted investments, at amortised cost	*(i)*	**60,725**	438,724
Other unlisted investments, at fair value	*(i)*	**171,479**	322,137
Other financial assets measured at FVTPL –			
Wealth management products	*(ii)*	**1,607,798**	–
Non-Current:			
Other financial assets measured at FVTPL –			
Private equity fund	*(iii)*	**120,000**	–
		1,960,002	760,861

Notes:

(i) The above unlisted investments were structure deposits products issued by banks in Mainland China. As at 31 December 2020, structured deposits of RMB60,725,000 (2019: RMB438,724,000) with cash flows that are solely payments of principal and interest are classified and measured at cost. As at 31 December 2020, structured deposits of RMB171,479,000 (2019: RMB322,137,000) were classified as financial assets at fair value through profit or loss as these structured deposits are with expected rates of return (not guaranteed) at floating rates ranging from 1.00% to 3.75%, linked to foreign exchange rate.

(ii) At 31 December 2020, the wealth management products of RMB1,607,798,000 (2019: Nil) were issued by licensed banks in Mainland China and Hong Kong. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The underlying investments of the financial assets 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. The products have maturity within 90-365 days and the expected but not guaranteed returns are at 3.40%-8.49% per annum. None of the wealth management products are past due.

(iii) At 31 December 2020, the financial assets of RMB120,000,000 (2019: Nil) represented a private equity fund, of which the Group is limited partner. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The private equity fund is managed by an independent professional fund manager approved by Asset Management Association of China for a period of 5 years.

13. INTEREST-BEARING BANK BORROWINGS

		31 December 2020		
	Notes	**Effective interest rate (%)**	**Maturity**	**RMB'000**
Bank loans – secured	*(i)*	2.06-3.02	2021	370,765
Bank loans – guaranteed	*(ii)*	3.85	2021	30,000
				400,765

Notes:

The Group's bank loans are secured by the following:

(i) the pledge of certain of the Group's time deposits amounting to RMB380,066,000 (2019: RMB209,286,000).

(ii) In addition, a domestic subsidiary of the Company has guaranteed certain of the Group's bank loans up to RMB30,000,000 (2019: Nil) as at the end of the reporting period.

14. CONVERTIBLE BONDS

On 5 November 2020, the Company issued convertible bonds due 2025 in the aggregate principal amount of HK$1,550,000,000. There was no movement in the number of Convertible Bonds during the year. The bonds are convertible at the option of the bondholders into ordinary shares on 16 December 2020 on the basis of the initial conversion price of HK$10.40. The bonds are redeemable at the option of the bondholders on 5 November 2023 at 103.86% of their principal amount together with accrued but unpaid interest. Any convertible notes not converted will be redeemed on 19 November 2025 at 106.58% of its principal amount together with accrued and unpaid interest. The bonds carry interest at a rate of 1% per annum, which is payable half-yearly in arrears on 5 May and 5 November.

The Convertible Bonds comprise two components:

(a) The debt component was initially measured at fair value amounting to HK$1,494,938,000 (equivalent to RMB1,258,139,000). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) The derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value with an amount of HK$55,062,000 (equivalent to RMB46,341,000).

14. CONVERTIBLE BONDS (continued)

The total transaction costs of HK$29,104,000 (equivalent to RMB24,494,000) that are related to the issue of the convertible bonds were allocated to the debt component exclusively in its initial measurement, and were included in the carrying amount of the debt component and amortised over the period of the convertible bonds using the effective interest method.

	Debt component	Embedded derivative component	Total
	RMB'000	RMB'000	RMB'000
Nominal value of convertible bonds issued during the year	1,258,139	46,341	1,304,480
Direct transaction costs attributable to the debt component	(24,494)	–	(24,494)
Interest expense	6,505	–	6,505
Loss arising on change of fair value	–	3,843	3,843
As at 31 December 2020	1,240,150	50,184	1,290,334

15. TRADE PAYABLES

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

	2020	2019
	RMB'000	RMB'000
Within 3 months	**66,371**	119,421
3 to 6 months	**18,387**	2,278
Over 6 months	**1,514**	182
Over 12 months	**121**	107
	86,393	121,988

The trade payables are non-interest-bearing.

16. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Authorised: 50,000,000,000 shares of USD0.000001 each (2019: 50,000,000,000 shares of USD0.000001 each)	**306**	306
Issued and fully paid: 2,383,140,500 shares of USD0.000001 each (2019: 2,383,140,500 shares of USD0.000001 each)	**16**	16

Note:

The Company adopted the restricted share unit scheme (the "Scheme") on 25 July 2018. During the period from 30 August 2018 to 24 October 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 Scheme.

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, 2020.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HKD0.08 per ordinary share of the Company (adopting an exchange rate of HK$1=RMB0.83962 , equivalent to RMB0.07 per share) and payable in Hong Kong dollars, amounting to approximately a total of RMB160,075,000 for the year ended December 31, 2020, representing approximately 100% of the Group's net profit for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, May 27, 2021 to Wednesday, June 2, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on Wednesday, June 2, 2021, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, May 26, 2021.

Subject to the approval of the declaration of the 2020 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Wednesday, June 9, 2021 to Tuesday, June 15, 2021 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2020 Final Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, June 8, 2021. The 2020 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about Wednesday, June 30, 2021 to those shareholders whose name appear on the register of member of the Company on Wednesday, June 9, 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended December 31, 2020, 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, 2020.

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.

The Audit Committee has reviewed and discussed the annual results for the year ended December 31, 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhouheiya.cn). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

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

Hong Kong, March 24, 2021

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.