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, 2021

FINANCIAL HIGHLIGHTS

	For the Year Ended December 31,		Year-on-Year Change
	2021	2020	
	RMB'000	RMB'000	**%**
Revenue	**2,869,963**	2,181,502	31.6
Gross profit	**1,658,393**	1,210,156	37.0
Profit before tax	**450,990**	200,058	125.4
Profit for the year attributable to owners of the Company	**342,424**	151,221	126.4

OPERATIONAL HIGHLIGHTS

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

	Year Ended December 31,	
	2021	2020
Total number of retail stores	**2,781**	1,755
Total sales volume (tons)	**35,259**	25,812
Average spending per purchase order (RMB)	**57.80**	60.10

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

	Year Ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Ducks and duck part products	**2,415,223**	**84.2**	1,876,801	86.0
Other products [(1)]	**427,139**	**14.9**	299,581	13.7
Franchise fees [(2)]	**27,601**	**0.9**	5,120	0.3
Total	**2,869,963**	**100.0**	2,181,502	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 years indicated.

	Year Ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Self-operated retail stores[(1)]	**1,643,240**	**57.3**	1,480,742	67.9
Online channels	**549,084**	**19.1**	458,226	21.0
Franchisees[(2)]	**591,619**	**20.6**	140,050	6.4
Others[(3)]	**86,020**	**3.0**	102,484	4.7
Total	**2,869,963**	**100.0**	2,181,502	100.0

(1) Include revenue derived from online ordering and delivery services, products sold are typically picked up at the designated retail stores. Revenue derived from online ordering and delivery services accounted for approximately 22.6% and 19.4% of the revenue from self-operated retail stores in 2021 and 2020, respectively.

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

(3) Primarily include revenue generated from distributors.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.12 per ordinary share of the Company (equivalent to RMB0.10 per share), amounting to approximately a total of RMB238,314,000 and representing approximately 70% of the Group's net profit for the year ended December 31, 2021.

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, 2021. 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

Looking back to 2021, the COVID-19 continued to spread across the world, and there have been a number of more contagious and transmissible variants. Current situation remains pessimistic. China also has been facing similar challenging environment, in particular, in the second half of 2021, the pandemic resurged in multiple cities across the country, regional anti-pandemic measures continued to accelerate, causing restrictions on human mobility and traveling. Meanwhile, the process of economic recovery slowed down due to the impact of multiple factors such as supply chain crisis, energy shortage and high inflation. The outbreak of the pandemic in many regions of China had a great impact on the offline consumer goods industry, and the Group's business performance in the second half of the year was also affected.

2021 is a much challenging year for the consumer goods industry. Due to the cross influence of the global economic impact and the prolonged pandemic in multiple locations, the fast-moving consumer goods industry concluded with sluggish growth, and offline consumption was seriously impaired, resulting in significant pressure on enterprises. On the one hand, the repetitive spread of the pandemic led to the tightened supply chain, the sharp rise in the price of raw materials, and the significant pressure on the operating costs of enterprises. On the other hand, the lack of consumer confidence, the transfer of consumption venues and social isolation resulted in continuous fluctuations of passenger traffic and lower-than-expected recovery. In the post-pandemic era, how to adapt to the new market environment and find out countermeasures to break the deadlock will be a long-term challenge for consumer goods retail enterprises.

In the post-pandemic era, the consumption structure is undergoing profound changes, where new products, new business formats and new models are emerging, and more enterprises are beginning to deploy more resilient and risk-resistant business operation systems. In the future, enterprises, which focus on consumers, bring changes in business operation logic through innovation, improve the capability to quickly and flexibly respond to market changes, improve customer experience, realize supply chain collaboration and build a complete user delivery system, are expected to win more opportunities and achieve high-quality profitability and sustainable development.

Overall Business and Financial Performance

Store Network Development and Optimization

The Group continued to embrace the idea of consumer-centricity in 2021. Under the continuous influence of the COVID-19 pandemic, the Group actively explored the omni-channel and diversified access to consumers, satisfied the diversified consumer needs, and strengthened expansion of offline stores in new markets and further development of mature markets. As of December 31, 2021, the Group had a total of 2,781 retail stores, including 1,246 self-operated stores and 1,535 franchised stores, and now covering 267 cities in 26 provinces, autonomous regions and municipalities in China.

The table below sets forth a breakdown of the number of self-operated and franchised retail stores by geographic location and the revenue contribution for the year indicated:

Number of Retail Stores

	Year Ended December 31,			
	2021		2020	
	#	**%**	#	%
Central China[1]	**1,231**	**44.3**	734	41.8
Southern China[2]	**522**	**18.8**	414	23.6
Eastern China[3]	**366**	**13.2**	288	16.4
Northern China[4]	**401**	**14.4**	172	9.8
Western China[5]	**261**	**9.3**	147	8.4
Total	**2,781**	**100.0**	1,755	100.0

Revenue

	Year Ended December 31,			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Central China[1]	**1,242,096**	**55.6**	850,160	52.5
Southern China[2]	**403,319**	**18.0**	316,465	19.5
Eastern China[3]	**235,507**	**10.5**	191,625	11.8
Northern China[4]	**212,984**	**9.5**	169,975	10.5
Western China[5]	**140,953**	**6.4**	92,567	5.7
Total	**2,234,859**	**100.0**	1,620,792	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, Gansu Province and Jilin Province.

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

Innovation of Business Model, Staying Closer to Consumers

In 2021, the Group closely followed the changing market trends, continued to promote the upgrade of its "self-operation + franchise" business model by combining the changes in people's consumption habits in the post-pandemic era, and continuously improved the coverage of offline stores for different consumption scenarios. Despite the repeated influence of the COVID-19 pandemic, the Group still made great progress in its business model upgrade in 2021, and its franchise business also developed beyond expectations. The scale of retail stores increased rapidly, and the total number of stores under the Group reached 2,781; Meanwhile, relying on the single-store franchise + multi-store franchise model, the Group's offline store structure has undergone fundamental changes, and the proportion of stores in transportation hubs nationwide has been significantly reduced, and the geographic structure of offline stores has been more balanced, making it possible to cope with the challenges of complex environment more flexibly; In addition, anticipating more indoor scenarios during the pandemic outbreak, the Group gradually explored the community market to disperse the risks arising from the prolonged pandemic. As the community store model achieved good results in Wuhan, the Group begun to launch pilot projects in some cities of Central China and Southern China.

Confronted with the continuous adverse effects and challenges of the pandemic, continuing to consolidate and facilitate the recovery of self-operation business while fully developing the franchise business is an important support for the Group to maintain stable development. In 2021, in response to the post-pandemic consumption scenarios, as well as the evolving consumption habits and changing consumer traffic, the Group actively modified its strategies for self-operated business, conducted prudent assessments of new stores and implemented measures to improve efficiency for mature stores, so as to cope with the regional resurgence risk of COVID-19. It also optimized those stores with low efficiency, so as to ensure the stable growth of self-operated business. From the perspective of operation, thanks to the operation of the experienced teams, the Group actively carried out business objectives PK and competition to drive the improvement of store efficiency and promote the recovery of single store sales through decomposition and realization tracking of business objectives, new store expansion and goods management, improvement of salesperson skills, marketing, online ordering and delivery and other approaches. The Group also expected to build brand benchmark through self-operated stores, improve brand influence, and gain more market share.

The Group has always adhered to the tenet of helping franchisees succeed and achieve the development and prosperity of the Zhou Hei Ya brand. It escorted the franchised partners 360 degrees from site selection and assessment, personnel training, engineering construction, system support, supply chain, marketing, policy support, opening, regular operation analysis, etc. In 2021, the Group promoted the transformation of operation management talents into regional management talents, segmented the market, and allocated project managers to be responsible for the business success of franchisees. On the other hand, the Group integrated the resources of marketing, finance and other functional centers to build an online operation platform for franchisees, strengthened the construction of retail academies, extended its tentacles to franchisees, better empowered the franchisees, and strove to build a more competitive retail system. In the meantime, the Group continued to promote the "community of common future" policy, provided special improvement plans for franchisees impaired by the pandemic, and helped maintain a win-win result between franchised partners and Zhou Hei Ya. In 2021, the Group had received nearly 16,000 additional franchisee applications, with a total number of 400 franchisees and there were 1,535 franchised stores as of December 31, 2021 across the country.

Diversified Access to Consumers

In the post-pandemic era, the shift in consumption scenarios and the constant changes in consumer demands have catalyzed consumer goods enterprises to continuously integrate their omni-channel structures and increase the purchase convenience of consumers, so as to resist the risks arising from single-channel sales under the pandemic. In 2021, the Group continued to implement the online and offline omni-channel coverage model, covering various consumption scenarios in multiple dimensions, and accelerating the construction of overall and precise access to consumers, while rapidly strengthening its consumer operation capabilities, improving the cling of core customers, and enhancing brand visibility.

The Group continued to consolidate the online ordering and delivery business integrating online and offline channels. In terms of online business, the Group increased resource acquisition through the platforms, expanded the scope of information push and deepened brand penetration. In the meantime, the Group actively explored combined brand marketing, jointly initiated the braised food festival with the platforms on the online ordering and delivery platform, led the growth of product categories, enriched consumption scenarios and enhanced brand exposure. In terms of offline business, it strengthened product advertising and promotion, and fully drew consumers' attention through multi-scenario advertising such as elevators and bus stops. In terms of management of the online ordering and delivery business, the Group abandoned the extensive operation of "one size fits all" across the country, and effectively achieved rapid growth in online ordering and delivery sales through refined operations by region, city, scenario and time. In 2021, revenue by online ordering and delivery business contributed RMB370.7 million.

To better accommodate to the ever-changing consumption scenarios and models, the Group continued to improve its online e-commerce system, and explored and deepened various new e-commerce models based on traditional platforms. On the one hand, the Group actively optimized the layout of near-field retail and established its presence on multiple fresh grocery e-commerce platforms such as Dingdong Maicai (叮咚買菜), Pupu Supermarket (樸樸超市), Hema Supermarket (盒馬集市). As of now, the community fresh grocery channel has covered more than 80 cities and over 3000 front warehouses. On the other hand, the Group continued to explore the operation of short-form video and live streaming content channels, increased investment in live streaming e-commerce platforms such as Tik Tok (抖音) and Kuaishou (快手), and built the dual live streaming models of KOL and self-operated online stores. In 2021, the Group participated in over 3,000 live streaming sessions which in aggregate attracted more than 150 million online visitors.

The Group achieved good results in comprehensively implementing the strategy of omni-channel and diversified access to consumers. For the year ended December 31, 2021, there was a year-on-year growth of approximately 23.5% in the revenue contributions of the Group's Internet O&O business, i.e. the online and self-operated ordering and delivery businesses, and the revenue derived from Internet O&O business accounted for approximately 32.0% of total revenue in 2021.

Continual Product Innovation and Brand Marketing

Product innovation has been a significant driver for the Group's development. The Group intends to comprehensively strengthen its brand image and consumer awareness through focusing on meeting the customers' needs, developing a full range product series and combining the data-centered integrated marketing system.

In terms of product innovation, the Group adopted the strategy of "brand marketing with key products" by virtue of its experience and market insights in the casual braised food industry in 2021. While consolidating the original star products, the Group also continued to expand the more popular product flavors, and has launched "Multi-spiced" (五香), "Treasure Lindera Glauca" (寶藏山胡椒) and other new flavors. Among others, monthly gross sales of duck necks in "Multi-spiced" flavor had exceed over RMB10 million. The Group also expanded its price ranges to cover low-end ranging from RMB9.9 to RMB25, further appealing to additional consumption needs. Meanwhile, it developed popular products such as Spicy Shrimp Balls (香辣蝦球) and Marinated Chicken Feet (虎皮鳳爪) that are welcomed among young consumers and become the new signature products, achieving high market recognition.

In terms of product marketing, the Group continued its brand marketing strategy and accelerated the renewal of its brand image. The "Little Yellow Store" new image stores have been launched nationwide, leaving young consumers with a trendy and fashionable brand impression, accelerating the rejuvenation of the brand. The Group further integrated the omni-channel media resources, made full use of various social media, long and short-form videos, live streaming platforms and other resources increased advertising intensity, improved the breadth and depth of advertising content on each platform, and formed high-quality, high-frequency and multi-dimensional communication with consumers. Meanwhile, the Group actively launched close-to-store media promotional and marketing events, and strengthened advertising in regions where offline stores are located, intensified store display and tasting, and carried out all kinds of promotional activities to increase store exposure. Moreover, in order to enhance brand exposure and awareness, the Group has also actively explored cross-industry cooperation, launched a series of co-branded braised duck products with KFC, including Lu La La (鹵辣辣) and Lu Ya Ya (鹵鴨鴨), that are more in line with consumer needs and more favored by young consumers. In 2021, the Group was selected as the exclusive partner for meat products of the main theme movie "The Chinese Doctor", which effectively enhanced its main brand image.

Supply Chain Optimization

In 2021, facing with various pressure from the repeated spread of the COVID-19 pandemic, in particular, the increased raw material costs resulting from the high inflation in the second half of 2021, in order to respond to the complicated and evolving market environment, the Group is committed to optimizing the supply chain capacity and focusing more attention on the construction of an efficient, agile and flexible supply chain system that can achieve all-round coordination and sustainable optimization and development.

In 2021, the Group established an "end-to-end" full-link supply chain system from farmers to consumers, laying a foundation for realizing the goals of improving quality, ensuring supply, reducing cost and increasing efficiency. The Group is committed to building a complete supply chain collaboration system, covering: agile logistics system (optimizing the dynamic warehouse and distribution route planning and transportation models), lean production system (product research and development, process design, raw material planning and automated production), total cost optimal procurement system (establishing a price estimation module from the perspective of suppliers to achieve accurate pricing), and the whole-process quality assurance system (the whole-process quality assurance from farmers, production, warehouse and distribution to customer feedback).

In view of this, the Group established an integrated supply chain center in January 2021 to be responsible for the lean operation management of the entire supply chain process. We have introduced the lean management system of OCM (operating cost management) cost control to further optimize the production cost per ton with a higher degree of standardization and automation. On the one hand, the Group has continued to optimize the whole life cycle management of suppliers, upgraded procurement strategies, built market price analysis and prediction models, predicted price trends and formulated precise procurement strategies to effectively reduce procurement costs. On the other hand, through the refined accounting of the total cost items and the monthly review, improvement and optimization, we can not only realize the monitoring of the whole production process, but also complete the dynamic inspection analysis, training and improvement. The implementation of lean management and control has improved the yield of each process, continuously reduced the production cost and increased the efficiency. In addition, the Group has also accommodated to the differentiated needs of consumers, maintained the front-end and back-end linkage and carried out all-round coordination to continuously empower the supply chain management level.

In terms of production capacity, the overall production arrangement of the Group is still focused on the five major processing facilities in China. The Group has now established four processing facilities at a room cleanliness standard of 100,000-class with high automation in northern, central, southern and eastern China. The processing facility in Eastern China has commenced operation in January 2021. By leveraging the dynamic logistics network management it can shorten the distribution radius in Eastern China by approximately 500 to 600 kilometers and improve the delivery efficiency of stores. The processing facility in Western China under construction is expected to be put into operation in 2022. The production capacity of each processing facility can be flexibly deployed and efficiently coordinated to cope with regional market risk.

Organizational Capacity Enhancement

The Group always believes that talents are the core competitiveness for business development, regards employees as an important strategic resource for its development, and improves the overall competitiveness of employees and their sense of belonging to the Group.

In 2021, the Group aimed to build a management team that can support corporate transformation and sustainable growth. On the one hand, the Group continued to improve its organizational structure, strengthened talent transformation and reserve, attracted outstanding management personnel with a strong sense of mission to join in, completed construction of the top-level organization for the third entrepreneurship, and steadily promoted talent diversification. On the other hand, to fully empower its ecological competitiveness, the Group has actively carried out a number of talent development trainings at different levels, including trainings for franchisees, and provided targeted capability solutions such as performance improvement and leadership development. In addition, the Group has also organized corporate culture workshop and entrepreneur conference, to further enhance its corporate culture and increase organizational cohesion.

In addition, the Group has adopted diversified incentive plans to motivate the employees. The Group implemented the employee incentive plan in 2020 and expanded the scope of equity incentives in 2021, awarding an aggregate of 15,191,817 ordinary shares of the Company to 153 selected persons of the Group as the incentive-based shares, where the actual number of shares awarded was subject to adjustments based on the Group's and the employees' performance. This year, the Group repurchased shares to expand the equity incentive pool, broadened the scope of incentives, applied the equity incentive plan to more outstanding employees, and drove the sustainable development of the organization. In addition, the Group has also continued to optimize both the organizational and individual performance management and assessment system, and motivated employees through a transparent and fair incentive mechanism. Meanwhile, the Group increased the scope of internal and external awards, and offered multiple honorary awards, including the "Best Business Partner Award", "Outstanding Performance Contribution Award" and "Excellent Market Rookie Award" as well as various initiatives such as sales competition among junior employees internally, as well as the "Annual Franchise Operation Award" externally. Through effectively enhancing organizational motivation, the Group has achieved harmonious development with internal and external ecological partners and created brilliance together.

Industry and Business Outlook

The pandemic has not ended in 2022. In the first quarter, the highly contagious Omicron variant spreads widely and there was a resurgence in different areas. The anti-pandemic measures have accelerated, and the situation becomes critical. In the future, the pandemic outbreak and its prevention policies are still the key factors in determining the pace of economic recovery. The pace of global economic recovery is accelerating to a varying degree, the inflation trend and industrial chain supply and demand are still under pressure, and the uncertainty of the pandemic continues to affect the recovery of consumer traffic. Consumption pattern becomes more diversified and further tends to be online, which will have a far-reaching impact on consumers' consumption habits. Consumer goods retail enterprises will face long-term pressure and challenges in the future.

The Group estimates that the prolonged COVID-19 pandemic will have an adverse impact on its business operation and financial performance in the short run. However, the Group is still optimistic about the development prospect of the industry in the mid and long run. While continuing to adhere to the consumer-centric and product-oriented principle and comprehensively promotes the Internet O&O multi-channel operation strategy, the Group will accelerate the expansion of retail stores, continuously improve supply chain management capabilities and strengthen the construction of organizational capacity to comprehensively enhance the Group's ability to resist the risk arising from the pandemic normalization and achieve sustainable development.

The Group has the confidence to overcome the short-term impact brought about by the adverse business environment and seize the development opportunities to achieve longer-term and more solid development in the future. In 2022, the Group plans to continuously implement the following strategic measures:

- Accelerate the expansion of high-quality stores and further promote the layout of community scenarios nationwide;

- Consolidate the strategy of omni-channel access to consumers and continue to lead the growth of the industry;

- Rejuvenate and upgrade the brand to create a new generation of key popular products;

- Focus on lean supply chain management and improve cost control flexibility; and

- Improve the match between talents and strategies, stimulate organizational motivation and enhance efficiency.

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 2020 and 2021 (expressed in percentages).

	Year Ended December 31,				Year-on-year Change
	2021		2020		
	RMB'000	%	RMB'000	%	%
Revenue	**2,869,963**	**100.0**	2,181,502	100.0	31.6
Cost of sales	**(1,211,570)**	**(42.2)**	(971,346)	(44.5)	24.7
Gross profit	**1,658,393**	**57.8**	1,210,156	55.5	37.0
Other income and gains, net	**219,627**	**7.7**	147,689	6.8	48.7
Finance cost	**(60,073)**	**(2.1)**	(39,556)	(1.8)	51.9
Selling and distribution expenses	**(1,084,919)**	**(37.8)**	(916,737)	(42.0)	18.3
Administrative expenses	**(309,610)**	**(10.9)**	(228,147)	(10.5)	35.7
Share of profits and losses of associates	**27,572**	**1.0**	26,653	1.2	3.4
Profit before tax	**450,990**	**15.7**	200,058	9.2	125.4
Income tax expense	**(108,566)**	**(3.8)**	(48,837)	(2.2)	122.3
Profit for the year	**342,424**	**11.9**	151,221	7.0	126.4
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**6,635**	**0.2**	14,898	0.7	(55.5)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**6,635**	**0.2**	14,898	0.7	(55.5)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**(29,351)**	**(1.0)**	(75,677)	(3.5)	(61.2)

	Year Ended December 31,				Year-on-year Change
	2021		2020		
	RMB'000	**%**	RMB'000	%	%
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(29,351)**	**(1.0)**	(75,677)	(3.5)	(61.2)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(22,716)**	**(0.8)**	(60,779)	(2.8)	(62.6)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**319,708**	**11.1**	90,442	4.2	253.5
Basic and diluted earnings per share (RMB)	**0.15**	**N/A**	0.07	N/A	114.3

Revenue

The Group's total revenue increased by 31.6% from RMB2,181.5 million for the year ended December 31, 2020 to RMB2,870.0 million for the year ended December 31, 2021, which was primarily due to the overall control of the COVID-19 pandemic in China in 2021 with repeated surges in exceptional regions, the Group's continued favorable overall operations and sales against the backdrop of the gradual recovery of consumer demand in the first half of the year, the strong momentum of franchise business, and significant increase in online and offline omni-channel revenues compared to 2020. Revenue from self-operated store channels increased by 11.0% year-on-year as of December 31, 2021, and revenue from franchise channels amounted to RMB591.6 million, representing an increase by 322.4% year-on-year as of December 31, 2021.

Cost of Sales

Cost of sales increased by 24.7% from RMB971.3 million for the year ended December 31, 2020 to RMB1,211.6 million for the year ended December 31, 2021, which was attributable to the increase in overall sales, the increases in depreciation after the commencement of operation of the new processing facility and the overall increase in labor cost.

Gross Profit and Gross Profit Margin

As a result of the foregoing as well as due to continuous improvement of the Group's supply chain management, the Group's gross profit increased by 37.0% from RMB1,210.2 million for the year ended December 31, 2020 to RMB1,658.4 million for the year ended December 31, 2021, and the Group's gross profit margin increased from 55.5% in the year ended December 31, 2020 to 57.8% in the year ended December 31, 2021.

Other Income and Gains, Net

The Group's other income and gains, net increased by 48.7% from RMB147.7 million for the year ended December 31, 2020 to RMB219.6 million for the year ended December 31, 2021. The increase was primarily due to (i) an increase of RMB15.7 million in interest income from bank deposits; (ii) a gain of RMB31.3 million from disposal of subsidiaries; (iii) an increase of RMB49.9 million in the gain from disposal of property and plant; (iv) an increase of RMB9.8 million in interest income from wealth management products, (v) a decrease of RMB12.6 million in donation expense and (vi) an increase of RMB18.3 million in the gain arising on changes in the fair value of convertible bonds, partially offset by an increase of RMB22.6 million in impairment of right-of-use assets and a decrease of RMB36.0 million from foreign exchange gains.

Finance Cost

Finance expense increased by 51.8% from RMB39.6 million for the year ended December 31, 2020 to RMB60.1 million for the year ended December 31, 2021, which was mainly attributable to an increase in interest expense in connection with the lease liabilities and the increase in Convertible Bonds.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 18.3% from RMB916.7 million for the year ended December 31, 2020 to RMB1,084.9 million for the year ended December 31, 2021. The increase was primarily due to an increase in rental expenses in connection with the Group's offline stores, an increase in salary and welfare for selling personnel and an increase in advertising and marketing expenses, which was generally in relation to the acceleration of the business operation of the Group as a result of the gradual recovery of consumer demand due to the control of the COVID-19 pandemic during the year.

Administrative Expenses

The Group's administrative expenses increased by 35.7% from RMB228.1 million for the year ended December 31, 2020 to RMB309.6 million for the year ended December 31, 2021, mainly due to (i) the processing facility in Jiangsu being put into operation by the Group in the first half of 2021 and (ii) an increase in salary and welfare for administrative personnel primarily due to the further implementation of the employee incentive plan and the discontinuity of social insurance related preferential policies during the COVID-19 outbreak in 2020.

Share of Profits and Losses of Associates

For the year ended December 31, 2021, the Group incurred share of profits and losses of associates of RMB27.6 million mainly in connection with the 25% equity interest (29.46% prior to February 2021, diluted to 27.28% from March to August 2021, and further diluted to 25% in September 2021) in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) (the "**Tiantu Partnership**"), which was jointly established by the Group and two subsidiaries of Tian Tu Capital Co., Ltd., resulting from fair value gains on the associate's investees and partially net off by the administration expenses. The change in the Group's equity interest in Tiantu Partnership was due to the new capital paid-in from other partners in February and August 2021.

Profit Before Tax

As a result of the foregoing, the Group recorded profit before tax of RMB451.0 million for the year ended December 31, 2021, increased by 125.4% from RMB200.1 million for the year ended December 31, 2020.

Income Tax Expense

Income tax expense increased by 122.5% from RMB48.8 million for the year ended December 31, 2020 to RMB108.6 million for the year ended December 31, 2021, primarily due to the increase in the Group's taxable income.

Profit for the Year

As a result of the foregoing, the Group's net profit increased by 126.5% from RMB151.2 million for the year ended December 31, 2020 to RMB342.4 million for the year ended December 31, 2021. The Group's net profit margin increased from 6.9% in the year ended December 31, 2020 to 11.9% in the year ended December 31, 2021, primarily because the Group experienced increases in revenue and gross profit, resulting in an increase in net profit.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations changed from other comprehensive loss of RMB60.8 million for the year ended December 31, 2020 to other comprehensive loss of RMB22.7 million for the year ended December 31, 2021, 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, 2021 increased by 253.7% to RMB319.7 million from RMB90.4 million for the year ended December 31, 2020.

Liquidity and Capital Resources

In the year ended December 31, 2021, the Group financed its operations through cash generated from its business operations and the net proceeds received from its Initial Public Offering and the exercise of the over-allotment options on November 30, 2016 (the "**IPO**"). The Group intends to finance its expansion and business operation 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**"). 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, especially in overseas markets; (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, 2021, the Group had net assets of approximately RMB4,210.3 million, as compared to RMB4,100.9 million as of December 31, 2020, primarily comprising current assets of RMB3,788.0 million, non-current assets of approximately RMB2,850.0 million, current liabilities of RMB866.9 million and non-current liabilities of approximately RMB1,560.8 million.

As of December 31, 2020 and 2021, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**") and U.S dollars ("**USD**"), with part denominated in Hong Kong Dollars ("**HK$**") and small amount in Euro.

Cash and Bank Balances

As compared with RMB1,583.8 million as of December 31, 2020, the Group had cash and bank deposits of approximately RMB2,101.3 million as of December 31, 2021, which was consisted of unrestricted cash and bank balances of approximately RMB271.5 million and term deposits of approximately RMB1,829.8 million.

Financial Risks

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

Use of Proceeds from the 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 issuance 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, 2021 was RMB469.2 million.

The table below sets forth the use of proceeds by the Group as of December 31, 2021:

	Budget	Amount that had been utilized as of December 31, 2020	Amount that was used in the year ended December 31, 2021	Remaining balance as of December 31, 2021	Expected timeline of utilization[1]
	RMB million	RMB million	RMB million	RMB million	
Construction and improvement of processing facilities	1,258.3	965.3	193.2	99.8	Expected to be used up in two years
Development of retail network	167.8	131.0	29.9	6.9	Expected to be used up in one year
Branding image campaigns, including the e-commerce marketing campaigns	394.3	245.4	50.9	98.0	Expected to be used up in two years
Improvement of research and development	45.2	25.2	20.0	–	N/A
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	62.8	5.4	28.0	Expected to be used up in one year
General replenishment of working capital	345.2	236.0	–	109.2	Expected to be used up in three years
Total	**2,452.2**	**1,683.6**	**299.4**	**469.2**	

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, 2021, 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.

The table below sets forth the use of proceeds by the Group as of December 31, 2021:

	Budget	Amount that had been utilized as of December 31, 2020	Amount that was used in the year ended December 31, 2021	Remaining balance as of December 31, 2021	Expected timeline of utilization(1)
	RMB million	RMB million	RMB million	RMB million	
Further penetration in existing markets and explore new business opportunities	1,133.4	–	267.5	865.9	Expected to be used up in four years
Enhancement of product innovation, research and development capabilities	60.0	–	–	60.0	Expected to be used up in four years
Working capital and for general corporate purposes	50.0	–	–	50.0	Expected to be used up in four years
Total	**1,243.4**	**–**	**267.5**	**975.9**	

Note:

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

As of December 31, 2021, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

Indebtedness

As of December 31, 2021, the Group had an aggregate bank borrowings of RMB50.0 million, all of which will be due within one year. Such outstanding bank borrowings were bearing fix interest rates and denominated in Renminbi.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. As of December 31, 2021 the Group's gearing ratio decreased from 40.7% as of December 31, 2020 to 36.6% as of December 31, 2021, which was primarily due to repayment of borrowings of RMB400.8 million in 2021.

Pledged Assets

As of December 31, 2021, the Group did not pledge any of its assets.

Cash Flows

For the year ended December 31, 2021, net cash generated from operating activities increased to approximately RMB539.8 million from RMB534.8 million for the year ended December 31, 2020, which was mainly attributable to profit before tax of RMB451.0 million, adjusted for certain non-cash items and profit before tax from non-operating activities such as depreciation of fixed assets, depreciation and 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) an increase in profit before tax of RMB250.9 million and an increase in income tax paid of RMB26.8 million; (ii) an increase in inventory of RMB66.7 million mainly due to the increased production activities; (iii) a decrease in other payables and accruals of RMB1.1 million; (iv) an increase in trade payables of RMB8.5 million due to increased procurement in the relevant period; and (v) an increase in trade receivables of RMB8.7 million.

For the year ended December 31, 2021, net cash used in investing activities was approximately RMB57.6 million, while the net cash used in investing activities was approximately RMB1,544.5 million for the year ended December 31, 2020, which was mainly attributable to (i) purchases of structured deposits and financial assets at fair value through profit or loss in the aggregate amount of RMB3,669.3 million, (ii) an increase of term deposits of maturity over three months of RMB550.9 million; and (iii) purchase of items of property, plant and equipment and intangible assets in the aggregate amount of RMB193.2 million, partially offset by (i) redemption of structured deposits and financial assets measured at fair value through profit or loss in the aggregate amount of RMB4,390.4 million; and (ii) interest from structured deposits and other financial assets measured as fair value through profit or loss of RMB46.0 million.

For the year ended December 31, 2021, net cash used in financing activities was approximately RMB470.1 million, while the cash used in financing activities was RMB1,101.2 million for the year ended December 31, 2020, which was mainly attributable to (i) dividends paid in the amount of RMB154.7 million in 2021; (ii) payment of repurchase of treasury shares of RMB83.3 million; and (iii) lease rental payments of RMB265.4 million..

Structured Deposits and Other 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, 2021, the Group had a balance of structured deposits and financial assets measured at FVTPL in the amount of approximately RMB1,237.3 million. Up to the date of this announcement, approximately RMB120.5 million out of the RMB1,237.3 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits were primarily short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in China, which were very liquid with a relatively short term of maturity, and which were considered akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. In the year ended December 31, 2021, interest income from structured deposits amounted to RMB46.0 million (December 31, 2020: approximately RMB27.8 million).

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

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

Capital Expenditure

The Group's capital expenditures amounted to RMB193.2 million as of December 31, 2021, mainly in connection with the establishment of processing facilities and the improvement of their 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, 2021, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against it.

Major Investment

In September 2021, one of the Group's indirect wholly-owned subsidiary entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) (深圳天圖資本管理中心(有限合夥)) and Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司) to jointly establish Changsha Tiantu Xingzhou Venture Capital Partnership (Limited Partnership) (長沙天圖興周創業投資合夥企業(有限合夥)) (the "**Partnership**") with a size of RMB3 billion in Changsha in the PRC, of which the Group subscribed for RMB500 million. As of the date of this announcement, the Group had made the full payment for its initial capital contribution of RMB250.0 million, which were funded by proceeds from the bonds of the Group. The Partnership is expected to serve a platform to invest in high-quality Chinese consumer brands of the new generation. Please refer to the announcement of the Company dated September 9, 2021 for more details.

Other than the Partnership, the Group did not conduct any material investments, acquisitions or disposals in 2021 and in the period subsequent to December 31, 2021 and up to March 30, 2022, 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 15,147,285 shares of the Company with par value of US$0.000001 each were granted to 153 selected persons, of which (i) RSUs representing 4,159,680 shares were granted to two selected persons who are directors of the Company; and (ii) RSUs representing 10,987,605 shares were granted to 151 selected persons who are employees of the Group. The underlying shares concerned represented 0.6% of the Company's issued shares.

Please refer to the Company's announcements dated July 25, 2018, July 31, 2018, October 24, 2018 and July 5, 2021 for a detailed summary of its RSU Scheme and the announcements dated April 20, 2020, February 1, 2021 and March 25, 2021 for the details in connection with the grants of the RSUs.

Turnover Ratios

Average inventory turnover days decreased from 114.1 days in the year ended December 31, 2020 to 86.9 days in 2021, mainly due to faster turnover of raw materials and finished goods with the acceleration of increasing production and sales resulting from the control of the COVID-19 pandemic.

Average trade receivables turnover days increased from 8.4 days in the year ended December 31, 2020 to 8.9 days in the year ended December 31, 2021, primarily due to slowed down payment settlement with certain third parties who collected payments on behalf of the Group as well as the slightly longer credit terms granted to certain e-commerce platforms when the Group changes its cooperation with them in 2021.

Average trade payables turnover days decreased from 38.6 days in the year ended December 31, 2020 to 24.8 days in the year ended December 31, 2021, primarily due to increase in sales volume, quickly depleting inventory reserve and relatively shortened credit terms granted to the Group.

Employee and Labor Cost

As of December 31, 2021, the Group had a total of 4,387 employees, among which 54.4% were retail store operations and sales staff and 25.6% 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, 2021, the Group incurred total labor costs of RMB507.9 million, representing 17.7% of total revenue of the Group.

Top Suppliers and Top Customers

In the year ended December 31, 2021, purchases from the Group's largest duck supplier in terms of RMB amount accounted for 4.2% of total purchase cost and the aggregate purchases from its top five duck suppliers in aggregate accounted for 17.5% of total purchase cost.

Due to the nature of the Group's business, in the year ended December 31, 2021, revenue derived from its top five customers accounted for less than 30% of total revenue.

Reserves

As of December 31, 2021, the Group's reserves available for distribution to shareholders amounted to approximately RMB1,588.0 million.

Subsequent Events

Subsequent to December 31, 2021 and up to March 30, 2022 (being the date of this announcement), no material events were undertaken by the Group.

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended December 31, 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	**2021**	**2020**
		RMB'000	**RMB'000**
REVENUE	*3(a)*	**2,869,963**	2,181,502
Cost of sales		**(1,211,570)**	(971,346)
Gross profit		**1,658,393**	1,210,156
Other income and gains, net	*3(c)*	**219,627**	147,689
Finance costs	*4*	**(60,073)**	(39,556)
Selling and distribution expenses		**(1,084,919)**	(916,737)
Administrative expenses		**(309,610)**	(228,147)
Share of profits and losses of associates		**27,572**	26,653
PROFIT BEFORE TAX	*5*	**450,990**	200,058
Income tax expense	*6*	**(108,566)**	(48,837)
PROFIT FOR THE YEAR		**342,424**	151,221
Attributable to:			
Owners of the parent		**342,424**	151,221
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted (RMB)		**0.15**	0.07
PROFIT FOR THE YEAR		**342,424**	151,221

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
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	**6,635**	14,898
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**6,635**	14,898
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**(29,351)**	(75,677)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(29,351)**	(75,677)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(22,716)**	(60,779)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**319,708**	90,442
Attributable to:		
Owners of the parent	**319,708**	90,442

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021	2020
		RMB'000	**RMB'000**
NON-CURRENT ASSETS			
Property, plant and equipment		**1,438,185**	1,407,646
Right-of-use assets	*9(a)*	**481,026**	568,581
Prepayments		**37,530**	15,328
Rental deposits		**94,575**	90,453
Other intangible assets		**25,282**	30,719
Investment in associates	*10*	**569,271**	277,069
Other financial assets at fair value through profit or loss, non-current	*12*	**120,000**	120,000
Deferred tax assets		**84,145**	80,880
Total non-current assets		**2,850,014**	2,590,676
CURRENT ASSETS			
Inventories		**321,937**	255,191
Trade receivables	*11*	**73,571**	66,250
Prepayments, other receivables and other assets		**172,860**	175,460
Structured deposits	*12*	**454,499**	232,204
Other financial assets at fair value through profit or loss, current	*12*	**662,809**	1,607,798
Derivative financial instruments		**–**	19,417
Restricted cash		**–**	384,066
Cash in transit		**1,092**	68
Cash and bank balances		**2,101,253**	1,583,761
Total current assets		**3,788,021**	4,324,215

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CURRENT LIABILITIES			
Interest-bearing bank borrowings	*13*	**50,000**	400,765
Derivative financial instruments	*14*	**34,278**	50,184
Trade payables	*15*	**77,933**	86,393
Other payables and accruals		**466,432**	459,353
Government grants, current		**2,372**	2,372
Lease liabilities, current	*9(b)*	**189,551**	224,414
Income tax payable		**46,346**	38,002
Total current liabilities		**866,912**	1,261,483
NET CURRENT ASSETS		**2,921,109**	3,062,732
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,771,123**	5,653,408
NON-CURRENT LIABILITIES			
Convertible bonds	*14*	**1,233,353**	1,240,150
Other payables and accruals, non-current		**36,105**	16,868
Deferred tax liabilities		**55,409**	40,562
Government grants, non-current		**51,298**	53,670
Lease liabilities, non-current	*9(b)*	**184,650**	201,305
Total non-current liabilities		**1,560,815**	1,552,555
NET ASSETS		**4,210,308**	4,100,853
EQUITY			
Equity attributable to owners of the parent			
Share capital	*16*	**16**	16
Treasury shares		**(341,445)**	(263,525)
Reserves		**4,551,737**	4,364,362
TOTAL EQUITY		**4,210,308**	4,100,853

NOTES TO FINANCIAL STATEMENTS

31 December 2021

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 offices of Intertrust Corporate Services (Cayman) Limited, located at One Nexus Way, Camana Bay, 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, other financial assets measured at fair value through profit or loss ("**FVTPL**") and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had no interest-bearing bank and other borrowings denominated in foreign currencies based on the London Interbank Offered Rate ("**LIBOR**") as at 31 December 2021. The amendment did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the Group's condensed consolidated financial information.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the year ended 31 December 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the covid-19 pandemic. There was no impact on the opening balance of equity as at 1 January 2021.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	2021	**2020**
	RMB'000	**RMB'000**
Revenue from contracts with customers	**2,869,963**	2,181,502

Revenue from contracts with customers

(a) ***Disaggregated revenue information***

	2021	**2020**
	RMB'000	**RMB'000**
Types of goods or service		
Modified-Atmosphere-Packaged products	**2,498,285**	1,895,116
Vacuum-packaged products	**268,683**	253,041
Franchise fees of retail stores	**27,601**	5,120
Other products	**75,394**	28,225
Total revenue from contracts with customers	**2,869,963**	2,181,502

	2021	**2020**
	RMB'000	**RMB'000**
Timing of revenue recognition		
Goods transferred at a point in time	**2,842,362**	2,176,382
Service transferred over time	**27,601**	5,120
Total revenue from contracts with customers	**2,869,963**	2,181,502

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

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

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:

	2021	**2020**
	RMB'000	**RMB'000**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods and installation services	**18,372**	–
Franchise fee	**5,322**	672
	23,694	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 fee contracts are for periods of more than one year, and the franchise fees are billed according to the contracts.

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

	2021	**2020**
	RMB'000	**RMB'000**
Amounts expected to be recognised as revenue:		
Within one year	**39,249**	23,694
After one year	**36,105**	16,868
	75,354	40,562

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

(c) Other income and gains, net

	Notes	**2021**	2020
		RMB'000	**RMB'000**
Other income and gains, net			
Interest income from bank deposits		**60,906**	45,243
Interest income from structured deposits		**6,826**	15,706
Interest income from other financial assets at FVTPL		**39,148**	12,081
Fair value gain/(loss) on structured deposits measured at FVTPL		**6,125**	(1,626)
Fair value (loss)/gain on other financial assets measured at FVTPL		**(7,719)**	8,291
Fair value gain/(loss) on financial instruments – embedded derivative component of convertible bonds		**14,474**	(3,843)
Fair value gain on derivative instruments – transactions not qualifying as hedges		**2,330**	19,417
Gain/(loss) on disposal of items of property, plant and equipment, net		**48,796**	(1,075)
Loss on disposal of items of right-of-use assets	*9*	**(9,980)**	(12,096)
Impairment of right-of-use assets	*9*	**(24,281)**	(1,724)
Gain on foreign exchange differences		**14,396**	50,388
Government grants*		**18,582**	20,625
Donation expense		**–**	(12,591)
Gain on disposal of a subsidiary		**31,340**	–
Others		**18,684**	8,893
Total		**219,627**	147,689

* 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 is as follows:

	2021	2020
	RMB'000	**RMB'000**
Interest on bank loans	**921**	10,924
Interest on convertible bonds	**41,831**	6,505
Interest on lease liabilities	**17,321**	22,127
Total	**60,073**	39,556

5. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	RMB'000
Cost of inventories sold	**977,049**	764,609
Depreciation of property, plant and equipment	**124,700**	119,938
Depreciation of right-of-use assets	**268,555**	279,820
Amortisation of other intangible assets	**9,319**	12,286
Auditor's remuneration	**2,400**	2,180
Lease payments not included in the measurement of lease liabilities	**60,840**	56,240
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**390,745**	335,955
Pension scheme contributions*	**56,982**	27,554
Equity-settled share-based payment expense	**26,797**	4,928
Other welfare	**33,350**	30,330
	507,874	398,767
Advertising and promotion expenses	**52,793**	38,036
E-commerce and online ordering platform related service and delivery fees	**196,093**	166,247
Fuel cost	**17,680**	15,633
Utility expenses	**41,798**	39,456
Share of profits and losses of associates	**(27,572)**	(26,653)
Finance costs	**60,073**	39,556
Transportation expenses	**86,696**	56,452
Interest income from bank deposits	**(60,906)**	(45,243)
Interest income from structured deposits	**(6,826)**	(15,706)
Interest income from other financial assets at FVTPL	**(39,148)**	(12,081)
Fair value (gain)/loss on structured deposits measured at FVTPL	**(6,125)**	1,626
Fair value loss/(gain) on other financial assets measured at FVTPL	**7,719**	(8,291)
Fair value (gain)/loss on financial instruments – embedded derivative component of convertible bonds	**(14,474)**	3,843
Fair value gain on derivative instruments – transactions not qualifying as hedges	**(2,330)**	(19,417)
(Gain)/loss on disposal of items of property, plant and equipment	**(48,796)**	1,075
Loss on disposal of items of right-of-use assets	**9,980**	12,096
Impairment of right-of-use assets	**24,281**	1,724
Impairment of trade receivables	**1,335**	–
Gain on foreign exchange differences	**(14,396)**	(50,388)
Government grants	**(18,582)**	(20,625)
Donation expense	**–**	12,591
Gain on disposal of a subsidiary	**(31,340)**	–

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions

6. INCOME TAX

The major components of income tax expenses are as follows:

	2021 RMB'000	2020 RMB'000
Current – PRC		
Charge for the year	**97,238**	35,240
Underprovision in prior year	**–**	654
	97,238	35,894
Deferred tax	**11,328**	12,943
Total tax charge for the year	**108,566**	48,837

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.

The provision for current income tax in the PRC is based on a statutory rate of 25% (2020: 25%) of the assessable profits of the subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Hubei Zhou Hei Ya Limited Foods Industrial Park Co., Ltd. is accredited as "High and New Technology Enterprise", and therefore entitled to a preferential income tax rate of 15% for the year ended 31 December 2021. Such qualifications are subject to be reviewed by the relevant tax authority in the PRC every three years.

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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

	2021 RMB'000	2020 RMB'000
Dividends declared	**238,314**	160,075

The board has recommended the payment of a final dividend of HK$0.12 (equivalent to RMB0.10) (2020: HK$0.08 (equivalent to RMB0.07)) per ordinary share for the year ended 31 December 2021, representing a total payment of approximately RMB238,314,000 (2020: RMB160,075,000) including RMB7,471,000 (2020: 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 earnings 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 2,312,877,683 (2020: 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:

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**342,424**	151,221
Add: Interest on convertible bonds	**41,831**	6,505
Fair value (gain)/loss on the derivative component of the convertible bonds	**(14,474)**	3,843
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**369,781***	161,569
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,312,877,683**	2,317,728,500
Effect of dilution – weighted average number of ordinary shares:		
Restricted share unit scheme	**5,018,686**	1,615,620
Convertible bonds	**149,038,462**	22,866,175
	2,466,934,831*	2,342,210,295
Earnings per share:		
Basic (RMB)	**0.15**	0.07
Diluted (RMB)	**0.15**	0.07

* 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 attributable to ordinary equity holders of the parent of RMB342,424,000, and the weighted average number of ordinary shares of 2,317,896,369 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 15 months 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 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 and 1 January 2021	149,744	418,837	568,581
Additions	–	355,182	355,182
Disposal of a subsidiary	(22,465)	–	(22,465)
Depreciation charge	(3,255)	(265,977)	(269,232)
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(11,280)	(11,280)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(115,479)	(115,479)
Impairment	–	(24,281)	(24,281)
As at 31 December 2021	124,024	357,002	481,026

9. **LEASES (continued)**

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

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 the year, RMB677,000 (2020: RMB1,233,000) of amortisation of the prepaid land lease payments was capitalised as part of the construction costs of the factory in Chengdu City and Qianjiang City.

(b) Lease liabilities

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

	2021	**2020**
	RMB'000	**RMB'000**
Carrying amount at 1 January	**425,719**	656,034
New leases	**337,199**	122,333
Accretion of interest recognised during the year	**17,321**	22,127
Covid-19-related rent concessions from lessors	**(6,580)**	(38,836)
Payments	**(282,679)**	(192,380)
Reassessment of a lease term arising from a decision not to exercise the extension option	**(6,882)**	(47,324)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(109,897)**	(96,235)
Carrying amount at 31 December	**374,201**	425,719
Analysed into:		
Current portion	**189,551**	224,414
Non-current portion	**184,650**	201,305

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

	2021	**2020**
	RMB'000	**RMB'000**
Interest on lease liabilities	**17,321**	22,127
Depreciation charge of right-of-use assets	**268,555**	279,820
Expense relating to short-term leases (included in selling and distribution expenses and cost of sales)	**7,884**	8,267
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)	**52,956**	47,973
Covid-19-related rent concessions from lessors	**(6,580)**	(38,836)
Loss on disposal of right-of-use assets	**9,980**	12,096
Impairment of right-of-use assets	**24,281**	1,724
Total amount recognised in profit or loss	**374,397**	333,171

9. **LEASES (continued)**

The Group as a lessee (continued)

(d) Variable lease payments

The Group leased a number of the retail stores and premises which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and premises in the shopping mall. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2021	**Fixed payments**	**Variable payments**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Fixed rent	239,455	–	239,455
Variable rent with minimum payment	51,108	15,678	66,786
Variable rent only	–	37,278	37,278
Total	290,563	52,956	343,519

2020	**Fixed payments**	**Variable payments**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Fixed rent	160,954	–	160,954
Variable rent with minimum payment	39,693	13,378	53,071
Variable rent only	–	34,595	34,595
Total	200,647	47,973	248,620

A 10% (2020: 10%) increase in sales in the retail stores would increase the total lease payments by 2% (2020: 2%).

10. INVESTMENT IN ASSOCIATES

	2021	2020
	RMB'000	RMB'000
Share of net assets	**569.271**	277,069

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

Name	Place of incorporation	Ownership interest	Percentage of Voting power	Profit sharing	Principal activity
Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) ("**Shenzhen Tiantu Xingnan**")	PRC	25.00%	40.00%	25.00%	Investment fund
Shanghai Zhi Yi Enterprise Development Co., Ltd.	PRC	49.90%	49.90%	49.90%	Investment holding
Changsha Tiantu Xingzhou Investment Partnership (Limited Partnership) ("**Changsha Tiantu Xingzhou**")	PRC	50.00%	25.00%	50.00%	Investment fund
Hubei Dwelling Foods Co., Ltd.	PRC	20.00%	20.00%	20.00%	Food manufacturing

(a) 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 of 31 December 2021, total capital paid-up of this fund was RMB100,000,000, being the additional capital injection of RMB151,500,000 made by an independent third party institutional investors minus the capital distribution to all investors of RMB60,000,000.

As at 31 December 2021, the Group's paid-in contribution of RMB235,000,000 represented 25.00% of the total paid-in capital of Shenzhen Tiantu Xingnan.

(b) In April 2021, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with Shanghai Bofu Business Service Office (Limited Partnership) to jointly form Shanghai Zhi Yi, with an initial subscription amount of RMB29,940,000, representing 49.90% of the total initial subscription amount of this associate.

As at 31 December 2021, the Group's paid-in contribution of RMB17,514,900 represented 49.90% of the total paid-in capital of Shanghai Zhi Yi.

(c) In October 2021, the Group, through an indirect wholly-owned subsidiary, entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) and Shenzhen Tiantu Investment Management Co., Ltd to jointly form Changsha Tiantu Xingzhou, an investment fund, as a limited partner with an initial subscription amount of RMB500,000,000, representing 50% of the total initial subscription amount of this fund.

As at 31 December 2021, the Group's paid-in contribution of RMB250,000,000 represented 25.00% of the total paid-in capital of Changsha Tiantu Xingzhou.

(d) In November 2021, the Group, through an indirect wholly-owned subsidiary, disposed of 80% ownership of Hubei Dwelling, and the remaining 20% of equity interest in Hubei Dwelling was accounted for this as investment in an associate.

11. TRADE RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Trade receivables	**74,906**	66,250
Less: Impairment provision	**(1,335)**	–
	73,571	66,250

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:

	2021	2020
	RMB'000	RMB'000
Within 3 months	**57,554**	65,840
3 to 12 months	**15,434**	410
Over 1 year	**583**	–
	73,571	66,250

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 of the shared credit risk 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	2021 RMB'000	2020 RMB'000
Current:			
Structured deposits			
Other unlisted investments, at amortised cost	*(i)*	–	60,725
Other unlisted investments, at fair value	*(i)*	**454,499**	171,479
		454,499	232,204
Other financial assets measured at FVTPL – Wealth management products	*(ii)*	**662,809**	1,607,798
Non-current:			
Other financial assets measured at FVTPL – Private equity fund	*(iii)*	**120,000**	120,000
		1,237,308	1,960,002

Notes:

(i) The above unlisted investments were structure deposits products issued by banks in Mainland China. As at 31 December 2021, no structured deposits with cash flows that are solely payments of principal and interest are classified and measured at amortised cost (2020: RMB60,725,000). As at 31 December 2021, structured deposits of RMB454,499,000 (2020: RMB171,479,000) 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 4.05% (2020: 1.00% to 3.75%), linked to foreign exchange rate.

(ii) At 31 December 2021, the wealth management products of RMB662,809,000 (2020: RMB1,607,798,000) 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%-6.80% (2020: 3.40%-8.49%) per annum. None of the wealth management products are past due.

(iii) At 31 December 2021, the financial assets of RMB120,000,000 (2020: RMB120,000,000) 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

	Notes	31 December 2021 Effective interest rate (%)	Maturity	RMB'000	31 December 2020 Effective interest rate (%)	Maturity	RMB'000
Bank loans – secured		–	–	–	2.06-3.02	2021	370,765
Bank loans – guaranteed	*(i)*	2.7	2022	50,000	3.81	2021	30,000
				50,000			400,765

Notes:

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

(i) A domestic subsidiary of the Company has guaranteed certain of the Group's bank loans up to RMB50,000,000 (2020: RMB30,000,000) as at the end of the reporting period.

(ii) Certain of the Group's time deposits were pledged with amount of RMB380,066,000 in 2020.

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 these 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 but 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 in 2020	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
Interest expense	41,831	–	41,831
Interest paid	(12,844)	–	(12,844)
Exchange realignment	(35,784)	(1,432)	(37,216)
Gain arising on change of fair value	–	(14,474)	(14,474)
As at 31 December 2021	1,233,353	34,278	1,267,631

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:

	2021	2020
	RMB'000	**RMB'000**
Within 3 months	**69,719**	66,371
3 to 6 months	**6,779**	18,387
6 to 12 months	**742**	1,514
Over 12 months	**693**	121
	77,933	86,393

The trade payables are non-interest-bearing.

16. SHARE CAPITAL

	2021 RMB'000	2020 RMB'000
Authorised:		
50,000,000,000 shares of USD0.000001 each (2020: 50,000,000,000 shares of USD0.000001 each)	**306**	306
Issued and fully paid:		
2,383,140,500 shares of USD0.000001 each (2020: 2,383,140,500 shares of USD0.000001 each)	**16**	16

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

	Numbers of shares in issue	Share capital RMB'000	Treasury shares RMB'000
At 1 January 2020, 31 December 2020 and 1 January 2021	2,383,140,500	16	(263,525)
Repurchased of shares	–	–	(83,286)
Exercise of Equity-settled share-based payment arrangement	–	–	5,366
At 31 December 2021	2,383,140,500	16	(341,445)

17. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, no material events were undertaken by the Group subsequent to 31 December 2021.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Other than the purchase of shares of the Company through a designated trustee which will be used as awards under the RSU Scheme, 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, 2021. The Company adopted its RSU Scheme on July 25, 2018, please refer to the section headed "Restricted Share Unit Scheme" above for more details.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.12 per ordinary share of the Company (adopting an exchange rate of HK$1=RMB0.81218, equivalent to RMB0.10 per share) (the "**2021 Final Dividend**") and payable in Hong Kong dollars, amounting to approximately a total of RMB238,314,000, representing approximately 70% of the Group's net profit for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from Thursday, May 26, 2022 to Tuesday, May 31, 2022 (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 Tuesday, May 31, 2022, 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 25, 2022.

Subject to the approval of the declaration of the 2021 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Tuesday, June 7, 2022 to Thursday, June 9, 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2021 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 Monday, June 6, 2022. The 2021 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about Thursday, June 30, 2022 to those shareholders whose name appear on the register of member of the Company on Thursday, June 9, 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended December 31, 2021, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except the deviation from code provision A.5.1 of the Code (currently known as Rule 3.27A of the Listing Rules) as further explained below.

As disclosed in the announcement of the Company dated October 18, 2021, Mr. Wu Chi Keung, who was an independent non-executive Director, the chairman of the Audit Committee and a member of the nomination committee of the Company (the "**Nomination Committee**"), passed away on October 12, 2021. Following the passing away of Mr. Wu Chi Keung, (i) the number of independent non-executive Directors was two and fell below the minimum number of three as required under Rule 3.10(1) of the Listing Rules; (ii) the number of independent non-executive Directors accounted for less than one-third of the Board as required under Rule 3.10A of the Listing Rules; (iii) the number of Audit Committee members fell below the minimum number of three and there is a vacancy for the chairman of the Audit Committee as required under Rule 3.21 of the Listing Rules; and (iv) the composition of the Nomination Committee deviated from code provision A.5.1 of the Code (currently known as Rule 3.27A of the Listing Rules) which requires the Nomination Committee to comprise a majority of independent non-executive Directors as members.

On December 10, 2021, Mr. Chen Chen was appointed as an independent non-executive Director, the chairman of the Audit Committee, the chairman of the remuneration committee of the Company and a member of the Nomination Committee. Following the appointment of Mr. Chen Chen, the Company has fully complied with the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules and code provision A.5.1 of the Code (currently known as Rule 3.27A of 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, 2021.

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. Chen Chen, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong, our independent non-executive Directors. Mr. Chen Chen is the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications.

The Audit Committee has reviewed and discussed the annual results for the year ended December 31, 2021. 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, 2021 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 30, 2022

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. Chan Kam Ching, Paul, Mr. Lu Weidong and Mr. Chen Chen are the independent non-executive Directors.