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## YIHAI INTERNATIONAL HOLDING LTD.

頤海國際控股有限公司

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

**(Stock Code: 1579)**

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yihai International Holding Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”), together with comparative figures for the same period of 2021.

#### GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB6,147.0 million in 2022, a 3.4% increase from RMB5,942.6 million in 2021.
- Gross profit was RMB1,853.9 million in 2022, a 3.6% decrease from RMB1,924.0 million in 2021.
- Net profit was RMB816.0 million in 2022, a 4.8% decrease from RMB857.6 million in 2021.
- Net profit attributable to owners of the Company was RMB742.0 million in 2022, a 3.2% decrease from RMB766.2 million in 2021.
- Earnings per share (basic and diluted) in 2022 were RMB0.757 and RMB0.757 respectively.

## Consolidated Balance Sheet

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,668,759	1,283,259
Right-of-use assets		239,270	281,103
Intangible assets		16,883	20,295
Deferred income tax assets		57,717	45,162
Financial assets at fair value through profit or loss		135,687	114,929
Term deposits with initial term over one year		200,000	660,000
Other non-current assets	4	121,492	205,373
<b>Total non-current assets</b>		<b>2,439,808</b>	<b>2,610,121</b>
<b>Current assets</b>			
Inventories		387,484	395,280
Other current assets	4	54,224	166,684
Trade receivables	5	155,627	236,522
Other financial assets at amortised cost		17,383	17,646
Financial assets at fair value through profit or loss		–	5,000
Term deposits with initial term over three months and within one year		611,236	204
Restricted cash		5,000	–
Cash and cash equivalents		1,880,531	1,573,621
<b>Total current assets</b>		<b>3,111,485</b>	<b>2,394,957</b>
<b>Total assets</b>		<b>5,551,293</b>	<b>5,005,078</b>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	6	68	68
Shares held for restricted share unit scheme		(4)	(4)
Other reserves		382,959	558,686
Retained earnings		3,936,849	3,246,836
Capital and reserves attributable to owners of the Company		4,319,872	3,805,586
Non-controlling interests		217,149	303,150
<b>Total equity</b>		<b>4,537,021</b>	<b>4,108,736</b>

## Consolidated Balance Sheet (continued)

	Note	As at 31 December	
		2022	2021
		RMB'000	RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		75,730	104,415
Deferred income tax liabilities		53,412	36,062
Other non-current liability		25,297	22,563
		<u>154,439</u>	<u>163,040</u>
<b>Total non-current liabilities</b>		<b><u>154,439</u></b>	<b><u>163,040</u></b>
<b>Current liabilities</b>			
Trade payables	7	396,254	294,260
Contract liabilities		102,785	108,466
Lease liabilities		38,577	36,976
Other payables and accruals		203,915	197,197
Current income tax liabilities		118,302	96,403
		<u>859,833</u>	<u>733,302</u>
<b>Total current liabilities</b>		<b><u>859,833</u></b>	<b><u>733,302</u></b>
<b>Total liabilities</b>		<b><u>1,014,272</u></b>	<b><u>896,342</u></b>
<b>Total equity and liabilities</b>		<b><u>5,551,293</u></b>	<b><u>5,005,078</u></b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	3	6,147,011	5,942,617
Cost of sales	8	<u>(4,293,129)</u>	<u>(4,018,664)</u>
<b>Gross profit</b>		1,853,882	1,923,953
Distribution expenses	8	(646,588)	(697,926)
Administrative expenses	8	(227,796)	(246,663)
Other income and gains – net	9	<u>138,214</u>	<u>167,667</u>
<b>Operating profit</b>		<u>1,117,712</u>	<u>1,147,031</u>
Finance income	10	30,291	28,605
Finance costs	10	<u>(5,856)</u>	<u>(5,475)</u>
Finance income – net	10	<u>24,435</u>	<u>23,130</u>
<b>Profit before income tax</b>		1,142,147	1,170,161
Income tax expense	11	<u>(326,161)</u>	<u>(312,602)</u>
<b>Profit for the year</b>		<u>815,986</u>	<u>857,559</u>
<b>Profit attributable to:</b>			
Owners of the Company		741,987	766,201
Non-controlling interests		<u>73,999</u>	<u>91,358</u>
		<u><u>815,986</u></u>	<u><u>857,559</u></u>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		(3,138)	(9,413)
<b>Other comprehensive loss for the year, net of tax</b>		<u>(3,138)</u>	<u>(9,413)</u>
<b>Total comprehensive income</b>		<u>812,848</u>	<u>848,146</u>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		738,849	757,001
– Non-controlling interests		<u>73,999</u>	<u>91,145</u>
		<u>812,848</u>	<u>848,146</u>
<b>Earnings per share attributable to owners of the Company</b> <i>(expressed in RMB cents per share)</i>			
– Basic	12	75.7	78.2
– Diluted	12	<u>75.7</u>	<u>78.2</u>

## 1. GENERAL INFORMATION

YIHAI INTERNATIONAL HOLDING LTD. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the production and sales of hot pot condiment, Chinese-style compound condiment, and convenient ready-to-eat food products in the People’s Republic of China.

The Company was incorporated in the Cayman Islands on 18 October 2013 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

The Company’s global offering of its shares (the “Global Offering”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKEx” or the “Stock Exchange”) was completed on 13 July 2016.

The consolidated financial information are presented in Renminbi (“RMB”), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the “Board of Directors”) on 30 March 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

### 2.1 Basis of preparation

#### (i) *Compliance with IFRS and HKCO*

The consolidated financial statements of the Group has been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622.

#### (ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets at fair value through profit or loss which are measured at fair value.

#### (iii) *New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

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

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

*(iv) New standards and interpretations not yet adopted*

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

**3. REVENUE AND SEGMENT INFORMATION**

Management determines the operating segments based on the reports reviewed by the chief operating decision makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales of hot pot condiment, Chinese-style compound condiment, convenient ready-to-eat food products and others to third party and related party customers, which are considered by the CODM as one segment. The Group’s principal market is the Mainland China and its sales to overseas customers contributed to less than 10% of the total revenues for the year ended 31 December 2022. Accordingly, no geographical information is presented.

Breakdown of revenue by product categories is as follows:

	Year ended 31 December	
	2022	2021
	RMB’000	RMB’000
<b>Revenue</b>		
Hot pot condiment		
– Related parties	1,400,798	1,774,938
– Third parties	2,263,898	1,831,898
	<hr/>	<hr/>
Subtotal	3,664,696	3,606,836
	<hr/>	<hr/>
Chinese-style compound condiment		
– Related parties	10,414	47,765
– Third parties	558,449	482,683
	<hr/>	<hr/>
Subtotal	568,863	530,448
	<hr/>	<hr/>
Convenient ready-to-eat food products		
– Related parties	78,430	112,074
– Third parties	1,791,639	1,590,986
	<hr/>	<hr/>
Subtotal	1,870,069	1,703,060
	<hr/>	<hr/>
Others		
– Related parties	9	241
– Third parties	43,374	102,032
	<hr/>	<hr/>
Subtotal	43,383	102,273
	<hr/>	<hr/>
<b>Total</b>	<b>6,147,011</b>	<b>5,942,617</b>
	<hr/> <hr/>	<hr/> <hr/>

Revenue from sales attributable to related parties accounted for approximately 24.2% and 32.6% of the Group’s total revenue for the years ended 31 December 2022 and 2021, respectively.

#### 4. OTHER ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments for property, plant and equipment	121,492	205,373
Value-added tax recoverable	26,660	46,346
Prepayments for marketing and consulting expenses	12,861	20,889
Prepayments for purchase of raw materials	7,383	90,579
Prepayments for short-term leases of warehouses and staff quarters	1,215	3,283
Others	6,105	5,587
	<hr/>	<hr/>
	175,716	372,057
Less: non-current items	(121,492)	(205,373)
	<hr/>	<hr/>
Other current assets	54,224	166,684
	<hr/> <hr/>	<hr/> <hr/>

#### 5. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
Third parties	6,163	20,503
Related parties	149,652	216,229
	<hr/>	<hr/>
Subtotal	155,815	236,732
Less: provision for impairment	(188)	(210)
	<hr/>	<hr/>
Trade receivables – net	155,627	236,522
	<hr/> <hr/>	<hr/> <hr/>

- (i) The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only a few customers who are granted with credit periods ranged from 30 to 90 days. The related party customers of the Group are granted with 30 days credit period. Ageing analysis based on recognition date of the trade receivables at the respective balance sheet dates is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	155,815	236,732
More than 3 months	–	–
	<hr/>	<hr/>
	155,815	236,732
	<hr/> <hr/>	<hr/> <hr/>

- (ii) The carrying amounts of trade receivables approximate their fair values.
- (iii) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.



## 6. SHARE CAPITAL

	Number of shares	Amount US\$'000
<b>Authorised:</b>		
<b>Ordinary shares of US\$0.00001 each</b>		
On 1 January 2021, 31 December 2021 and 2022	5,000,000,000	50

### Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
On 1 January 2021, 31 December 2021 and 2022	1,046,900,000	10,469	68

## 7. TRADE PAYABLES

Trade payables mainly arose from the purchase of materials. The credit terms of trade payables granted by the vendors are usually 30 to 90 days.

The ageing analysis of trade payables based on invoice dates is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 3 months	394,221	292,197
3 to 6 months	1,599	1,737
6 months to 1 year	434	326
<b>Total</b>	<b>396,254</b>	<b>294,260</b>

## 8. EXPENSES BY NATURE

Expenses included in cost of sales, distribution expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Changes in inventories of finished goods	(6,409)	24,305
Raw materials and consumables used	3,801,383	3,570,057
Employee benefit expenses	545,352	521,595
Transportation and related charges	211,013	199,568
Advertising and other marketing expenses	135,783	224,145
Depreciation of property, plant and equipment	118,073	82,098
Utilities	71,424	52,473
Warehouse expenses	54,636	60,088
Taxes and surcharges	40,786	38,095
Depreciation of right-of-use assets	40,777	34,881
Travel and entertainment expenses	29,464	32,190
Technical supporting fees, professional fees and other services fees	24,350	25,169
Expense relating to short-term leases	13,735	16,486
Amortisation of intangible assets	6,735	6,221
Auditor's remuneration	3,330	3,260
(Reversal of)/provision for impairment on financial assets	(25)	249
Write-off of obsolete inventories	2,533	8,180
Other expenses	74,573	64,193
<b>Total</b>	<b>5,167,513</b>	<b>4,963,253</b>

## 9. OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (i)	83,704	113,939
Change in fair value of financial assets at fair value through profit or loss	9,794	64,050
Sales of scrap materials	9,896	10,228
Net foreign exchange gains/(losses)	36,462	(18,810)
Losses on disposal of property, plant and equipment	(6,679)	(3,069)
Losses on disposal of intangible asset	(100)	–
Donation	(532)	(6,140)
Others	5,669	7,469
<b>Total</b>	<b>138,214</b>	<b>167,667</b>

- (i) Government grant is mainly from tax refund for growing local economic development and amortization of deferred income from assets-related government grants. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

## 10. FINANCE INCOME – NET

	Year ended 31 December	
	2022	2021
	RMB' 000	RMB' 000
Finance income		
– Interest income	30,291	28,605
Finance costs		
– Interest on lease liabilities	(5,856)	(5,475)
Finance income -net	<b>24,435</b>	<b>23,130</b>

## 11. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax	321,366	328,972
Deferred income tax expense/(credit)	4,795	(16,370)
Income tax expense	<u>326,161</u>	<u>312,602</u>

### (a) Cayman Islands income tax

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of local income tax.

### (b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the Group's estimated assessable profit for the year ended 31 December 2022 (2021:16.5%).

### (c) Overseas income tax

The Company's subsidiaries incorporated overseas are subject to overseas profits tax at 10% to 30% on estimated assessable profit for the year ended 31 December 2022 (2021: 10% to 27%).

### (d) Mainland China Corporate Income Tax ("CIT")

The income tax provision of the Group in respect of operations in mainland China has been calculated at the tax rate of 25% on the estimated assessable profits for the years end 31 December 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof.

### (e) Mainland China withholding tax ("WHT")

According the applicable mainland China tax regulations, dividends distributed by a company established in mainland China to a foreign investor with respect to profit derived after 1 January 2009 are generally subject to WHT at the rate of 10%. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between mainland China and Hong Kong, the relevant withholding tax rate will be 5%.

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for each of the years ended 31 December 2022 and 2021 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Scheme during the year.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	741,987	766,201
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	980,332	980,332
Basic earnings per share (RMB cents)	<u>75.7</u>	<u>78.2</u>

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share is same as the basic earnings per share since the Group does not have any potential dilutive ordinary share in issue as of 31 December 2022 and 2021.

## 13. DIVIDENDS

### (i) Ordinary shares

The total dividends paid in 2022 amounted to RMB224,563,000 or RMB21.9563 cents per share (2021: RMB243,529,000 or RMB25.003 cents per share) (which are net of the dividend of RMB15,374,000 (2021: RMB16,643,000) attributable to the shares held for the RSU Scheme).

### (ii) Dividends declared but not recognised at the end of the reporting period

Pursuant to resolution passed on 30 March 2023, the Board of Directors of proposed a final dividend of RMB17.72 cents per ordinary share of the Company, amounting to RMB185,511,000 for the year ended 31 December 2022 from the Company's share premium and retained earnings. The final dividend is to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 18 May 2023. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the share premium and retained earnings for the year ending 31 December 2023.

## 2022 PERFORMANCE REVIEW

In 2022, despite the pandemic having caused relatively material impact on economic operation, the catering and other contact-type services industries that were heavily affected in the early-pandemic period began to improve, along with the optimization and implementation of the latest pandemic prevention and control policies and the orderly recovery of consumption scenes in the fourth quarter. The overall development of the consumption market showed a positive recovering trend.

During the past year, the Group focused its main business on enhancing the building and management of channel expansion, optimizing the product research and development mechanism, continuously implementing the multi-brand strategy, while at the same time increasing its self-production capacity to optimize supply capability.

With respect of channel building, the Group further strengthened the refined and standardised channel management. On the basis of sub-channel management, the Group matched corresponding management models as well as staff and equipment according to the needs of different channels, optimized the “partners” assessment system, and established informatization-based management and intelligent identification systems. At the same time, we adjusted the end prices of some products, gradually increased the coverage of the mass market, and continued to increase the number of sales point and the number of products available for sale. While enhancing the sales performance of the channels, the channel fees utilization efficiency has been improved to enhance the overall operation level.

In terms of product research and development, the Group continued to optimize the “project-based products” system and break through the research and development restrictions and deadlock in category development. Meanwhile, during the research and development process under the guidance of the long-term accumulated and validated “theories of methodology”, the key nodes of research and development were implemented, and the research and development team was guided to conduct in-depth research on categories and industries, focusing on the long-term planning of categories and products, enhancing the standards required for launching products to improve the success rate.

In 2022, the Group continued to implement the multi-brand strategy. In the existing brand matrix, the Group continued the use of Magic Cook (筷手小厨) and Haidilao (海底捞) brands based on product attributes, with emphasis on the combination of brand and product, and further enhanced the brand awareness and realized the Group’s multi-brand strategic planning through a variety of publicity and promotion methods, such as display of materials and interactions with consumers.

With regards to replenishing supply capability, we continued to expand our production capacity in 2022 according to the market and our own development needs. With the successive commencement of production lines for rice, vermicelli, dipping sauces and cooking packages, the Group gradually increased the proportion of self-production and further improved the control over the stability and safety of products. At the same time, the Group continued to improve the intelligent production capabilities in the factories and optimized the product quality and technical process, with a view to further increasing the overall management efficiency of the supply chain.

## BUSINESS REVIEW

For the year ended 31 December 2022, the Group recorded a revenue of RMB6,147.0 million, representing a year-on-year increase of 3.4% and a net profit of RMB816.0 million, representing a year-on-year decrease of 4.8%.

### Sales Channels

The Group continued to be the supplier of hot pot condiment products for Haidilao International Holding Ltd. (together its subsidiaries, the “**Haidilao Group**”), SUPER HI INTERNATIONAL HOLDING LTD. (together with its subsidiaries, the “**Super Hi International Group**”) and their respective subsidiaries, our related parties, while at the same time, we also provided cooking condiment solutions to Chinese family cooking customers, catering service providers and companies in the food industry. As at 31 December 2022, the major products of the Group included hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products, and major channels for third-party sales included distributors, e-commerce and catering customers. The Group’s business of sales to third-party distributors covered a total of 31 provincial regions in China and Hong Kong-Macau-Taiwan regions and 49 countries and regions overseas.

In 2022, the Group continued the construction and expansion of third-party sales channels as the main sales strategy. While adhering to the implementation of refined and standardised management of channels and distributors, the Group optimized the assessment mechanism of “partners” system and further clarified the standardized process of channel management through the combination of process assessment and performance evaluation. The overall operational efficiency was expected to improve with the establishment of an informatization-based management system to achieve accurate and efficient communication through channels. At the same time, by adjusting the prices of some products, the coverage of channels in the mass market was improved, the strengths of existing single products were compacted and the number of products for sale was increased, so as to improve the overall satisfaction of the channels. For the year ended 31 December 2022, the revenue from third-party sales was RMB4,657.4 million, representing a year-on-year increase of 16.2%.

In respect of the development of e-commerce channels, the Group continued to adopt the strategy of enhancing interactive experience of consumers, using the flagship store as the major interactive base for brands, enhancing communication among consumers, and providing more heart-touching shopping experience for consumers. In 2022, the Group formulated targeted marketing plans for different festivals and promotional campaigns as usual. As at 31 December 2022, the Group had 9 flagship stores on the e-commerce platforms including Tmall.com, JD.com and Pinduoduo. The sales revenue of the Group from e-commerce channels for the year ended 31 December 2022 was RMB332.1 million, representing a year-on-year increase of 3.4%.

In respect of sales to related parties, the restaurants of the Haidilao Group had experienced suspension of business or dine-in services in some of the stores under the impact of multiple outbreaks of the pandemic and implementation of various preventive and control measures against the pandemic. In 2022, the sales revenue from the Group’s related parties was RMB1,489.7 million, representing a year-on-year decrease of 23.0%.

## Products

In 2022, the Group fully integrated internal resources. A product research and development system was established synergizing the innovation committee members responsible for overall planning with the product team leaders responsible for in-depth research as well as implementation. The Group coordinated the research and development team in a top-down manner, integrated research and development efforts, and explored new opportunities for product innovation. Through the combination of theory and practice, we continued to summarize and accumulate product development “methodology” to seek breakthroughs in new categories and new products, in order to develop more products that meet market demand and have long cyclical attributes, constantly enrich the product matrix and optimize products structure and enhance the market position of core products. Meanwhile, the Group continued to implement its multi-brand strategy, and gradually enhanced the brand awareness of “Magic Cook” through the joint promotion of the “Haidilao” and “Magic Cook” brands.

In 2022, the Group conducted product promotions with marketing activities in line with various seasonal themes and promotional nodes, and combined online communication and promotional activities to promote product sales persistently. In the first half of the year, we mainly promoted crayfish seasoning, sauerkraut fish seasoning, braised pork seasoning and self-serving rice series. In the second half of the year, we upgraded the flavors and quality of instant rice and self-serving rice, while combining with the use and needs of consumers for constantly enriching the specifications and flavors of hot pot soup flavouring.

In 2022, the Company had added a total of 11 hot pot condiment products, 16 Chinese-style compound condiment products, and 18 convenient ready-to-eat products. At the same time, by reflecting market feedback and shelf sales condition, the sales of some products were suspended and the specifications of some products were integrated. As at 31 December 2022, the Group sold a total of 50 hot pot condiment products, 41 Chinese-style compound condiment products, and 41 convenient ready-to-eat products.



The table below sets forth the data on the Group's revenue, sales volume and average selling price by product categories and distribution channels for the periods as indicated:

	For the year ended 31 December					
	2022			2021		
	Revenue (RMB'000)	Sales volume (tonnes)	Average selling price per kg (RMB)	Revenue (RMB'000)	Sales volume (tonnes)	Average selling price per kg (RMB)
<b>Hot pot condiments<sup>(1)</sup></b>						
Third parties	2,263,898	77,625	29.2	1,831,898	63,240	29.0
Related parties	1,400,798	70,423	19.9	1,774,938	88,342	20.1
subtotal	<u>3,664,696</u>	<u>148,048</u>	<u>24.8</u>	<u>3,606,836</u>	<u>151,582</u>	<u>23.8</u>
<b>Chinese-style compound condiments<sup>(2)</sup></b>						
Third parties	558,449	21,878	25.5	482,683	19,514	24.7
Related parties	10,414	401	26.0	47,765	1,879	25.4
subtotal	<u>568,863</u>	<u>22,279</u>	<u>25.5</u>	<u>530,448</u>	<u>21,393</u>	<u>24.8</u>
<b>Convenient ready-to-eat food products<sup>(3)</sup></b>						
Third parties	1,791,639	45,752	39.2	1,590,986	40,801	39.0
Related parties	78,430	1,938	40.5	112,074	2,619	42.8
subtotal	<u>1,870,069</u>	<u>47,690</u>	<u>39.2</u>	<u>1,703,060</u>	<u>43,420</u>	<u>39.2</u>
<b>Others<sup>(4)</sup></b>	<u>43,383</u>	<u>12,930</u>	<u>3.4</u>	<u>102,273</u>	<u>32,248</u>	<u>3.2</u>
<b>Total</b>	<u>6,147,011</u>	<u>230,947</u>	<u>26.6</u>	<u>5,942,617</u>	<u>248,643</u>	<u>23.9</u>

Notes:

- (1) Mainly including the Group's sales of products such as hot pot soup flavorings and hot pot dipping sauce
- (2) Mainly including the Group's sales of products such as Chinese-style compound condiments and ready-to-eat sauce
- (3) Mainly including the Group's sales of products such as self-serving small hot pots, self-serving rice, brewed vermicelli, and instant rice
- (4) Mainly including the Group's sales of products such as raw materials for trade and packaged goods

The table below sets forth the revenue of the Company in absolute terms and the percentage of the revenue of the Company, by product categories, for the periods as indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	% of revenue	RMB'000	% of revenue
Revenue from hot pot condiments	3,664,696	59.6%	3,606,836	60.7%
Revenue from Chinese-style compound condiments	568,863	9.3%	530,448	8.9%
Revenue from convenient ready-to-eat food products	1,870,069	30.4%	1,703,060	28.7%
Other revenue	43,383	0.7%	102,273	1.7%
<b>Total revenue</b>	<b>6,147,011</b>	<b>100%</b>	<b>5,942,617</b>	<b>100%</b>

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by 3.4% from RMB5,942.6 million for the year ended 31 December 2021 to RMB6,147.0 million for the corresponding period in 2022.

### Revenue by product

	For the year ended 31 December			
	2022		2021	
	Revenue (RMB'000)	% of revenue from hot pot condiments	Revenue (RMB'000)	% of revenue from hot pot condiments
<b>Revenue from hot pot condiments products</b>				
Revenue from third parties	2,263,898	61.8%	1,831,898	50.8%
Revenue from related parties	1,400,798	38.2%	1,774,938	49.2%
<b>Total revenue from hot pot condiments products</b>	<b>3,664,696</b>	<b>100%</b>	<b>3,606,836</b>	<b>100%</b>

Revenue from hot pot condiments products increased by 1.6% from RMB3,606.8 million for the year ended 31 December 2021 to RMB3,664.7 million for 2022, accounting for 59.6% of the revenue for the year ended 31 December 2022. Revenue from sales of hot pot condiment products to related parties decreased by 21.1% as compared to the previous year. The decrease was mainly due to the suspension of business or dine-in services and the reduction in customer flow of some restaurants of related parties in Mainland China as a result of the spread of the COVID-19 pandemic. Revenue from sales of hot pot condiments products to third parties increased by 23.6% as compared to the previous year. The increase was mainly due to the growth in sales volume of certain hot pot soup flavoring products following the adjustment of end-point selling prices.

	<b>For the year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Revenue</b>	<b>% of</b>	<b>Revenue</b>	<b>% of</b>
	<b>(RMB'000)</b>	<b>revenue</b>	<b>(RMB'000)</b>	<b>revenue</b>
		<b>from</b>		<b>from</b>
		<b>Chinese-</b>		<b>Chinese-</b>
		<b>style</b>		<b>style</b>
		<b>compound</b>		<b>compound</b>
		<b>condiments</b>		<b>condiments</b>
<b>Revenue from Chinese-style compound condiments</b>				
Revenue from third parties	<b>558,449</b>	<b>98.2%</b>	482,683	91.0%
Revenue from related parties	<b>10,414</b>	<b>1.8%</b>	47,765	9.0%
<b>Total revenue from Chinese-style compound condiments</b>	<b><u>568,863</u></b>	<b><u>100%</u></b>	<b><u>530,448</u></b>	<b><u>100%</u></b>

Revenue from Chinese-style compound condiments increased by 7.2% from RMB530.4 million for the year ended 31 December 2021 to RMB568.9 million for 2022, accounting for 9.3% of the revenue for the year ended 31 December 2022. Revenue from sales of Chinese-style compound condiments to related parties decreased by 78.2%, the decrease was mainly due to the of COVID-19 pandemic, which resulted in a decrease in retail product sales of stores under the companies of related parties, and revenue from sales of Chinese-style compound condiments to third parties increased by 15.7%. The increase was mainly due to the upgrade of the condiment products and the launch of new products.

	For the year ended 31 December			
	2022		2021	
	Revenue (RMB'000)	% of revenue from convenient ready-to- eat food products	Revenue (RMB'000)	% of revenue from convenient ready-to- eat food products
<b>Revenue from convenient ready-to-eat food products</b>				
Revenue from third parties	1,791,639	95.8%	1,590,986	93.4%
Revenue from related parties	78,430	4.2%	112,074	6.6%
<b>Total revenue from convenient ready-to-eat food products</b>	<b>1,870,069</b>	<b>100%</b>	<b>1,703,060</b>	<b>100%</b>

Revenue from convenient ready-to-eat food products increased by 9.8% from RMB1,703.1 million for the year ended 31 December 2021 to RMB1,870.1 million for 2022, accounting for 30.4% of the revenue for the year ended 31 December 2022. Revenue from sales of convenient ready-to-eat food products to related parties decreased by 30.0%, and revenue from sales of convenient ready-to-eat food products to third parties increased by 12.6%. The increase was mainly attributable to the increase in demand for convenient ready-to-eat food products during the spread of COVID-19 pandemic.

### Revenue by distribution network

	For the year ended 31 December			
	2022		2021	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
<b>Related party customers</b>				
Haidilao Group, Super Hi International Group and Shuhai Supply Chain Group*	1,489,651	24.2%	1,935,018	32.6%
<b>Third party customers</b>				
Distributors	4,300,513	70.0%	3,648,339	61.4%
E-commerce	332,091	5.4%	321,291	5.4%
<b>Others</b>				
Third party catering enterprises	24,756	0.4%	37,360	0.6%
One-off sales activities	–	0.0%	609	0.0%
<b>Total revenue</b>	<b>6,147,011</b>	<b>100%</b>	<b>5,942,617</b>	<b>100%</b>

\* refers to Shuhai (Beijing) Supply Chain Management Co., Ltd. (蜀海(北京)供應鏈管理有限責任公司) and its subsidiaries

In 2022, under the impact of multi-outbreaks of COVID-19 pandemic together with the preventive and control policies against pandemic, some restaurants of the Haidilao Group, a related party of the Company, suspended business or suspended dining-in services in certain stores for a short period of time. For the year ended 31 December 2022, the sales revenue from sales to related parties was RMB1,489.7 million, representing a year-on-year decrease of 23.0%.

For the year ended 31 December 2022, the sales revenue from sales to distributors was RMB4,300.5 million, representing a year-on-year increase of 17.9%; and the sales revenue from e-commerce channels was RMB332.1 million, representing a year-on-year increase of 3.4%.

### Revenue by geographic region

The table below sets forth the revenue by geographic regions of the Group for the periods as indicated:

	For the year ended 31 December			
	2022	% of	2021	% of
	(RMB'000)	revenue	(RMB'000)	revenue
Northern China <sup>(5)</sup>	2,707,534	44.1%	2,494,343	42.0%
Southern China <sup>(6)</sup>	3,088,220	50.2%	3,145,006	52.9%
Other markets	351,257	5.7%	303,268	5.1%
<b>Total</b>	<b>6,147,011</b>	<b>100%</b>	<b>5,942,617</b>	<b>100%</b>

Notes:

- (5) Including Heilongjiang, Jilin, Liaoning, Inner Mongolia, Beijing, Tianjin, Hebei, Shandong, Shanxi, Henan, Ningxia, Shaanxi, Gansu, Qinghai, Xinjiang and Tibet
- (6) Including Jiangsu, Shanghai, Zhejiang, Anhui, Jiangxi, Fujian, Hubei, Hunan, Guangdong, Chongqing, Guizhou, Guangxi, Sichuan, Yunnan and Hainan

### Cost of Sales

The Group's cost of sales, including raw materials, employee benefit expenses, depreciation and amortization and utilities, increased by 6.8% from RMB4,018.7 million for the year ended 31 December 2021 to RMB4,293.1 million for 2022. The increase in cost of sales was mainly due to the increase in the price of certain raw materials.

## Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2022		2021	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
<b>Hot pot condiments</b>	<b>1,273,682</b>	<b>34.8%</b>	1,304,891	36.2%
Third parties	1,092,304	48.2%	929,346	50.7%
Related parties	181,378	12.9%	375,545	21.2%
<b>Chinese-style compound condiments</b>	<b>183,381</b>	<b>32.2%</b>	182,572	34.4%
Third parties	181,519	32.5%	173,178	35.9%
Related parties	1,862	17.9%	9,394	19.7%
<b>Convenient ready-to-eat food products</b>	<b>396,019</b>	<b>21.2%</b>	435,083	25.5%
Third parties	379,354	21.2%	403,056	25.3%
Related parties	16,665	21.2%	32,027	28.6%
<b>Others</b>	<b>800</b>	<b>1.8%</b>	1,407	1.4%
<b>Total</b>	<b>1,853,882</b>	<b>30.2%</b>	1,923,953	32.4%

The Group's gross profit decreased by 3.6% from RMB1,924.0 million for the year ended 31 December 2021 to RMB1,853.9 million for 2022, and the gross profit margin decreased from 32.4% for 2021 to 30.2% for 2022. The decrease in gross profit margin was mainly due to a rise in the prices of raw materials such as grease and beef pack, resulting in an increase in costs of sales and thus the decrease in gross profit margin.

### Distribution Expenses

The Group's distribution expenses decreased by 7.4% from RMB697.9 million for the year ended 31 December 2021 to RMB646.6 million for 2022. The Group's distribution expenses as a percentage of the Group's revenue decreased from 11.7% for 2021 to 10.5% for 2022. The decrease in distribution expenses was mainly due to the decrease in advertising and marketing expenses.

### Administrative Expenses

The Group's administrative expenses decreased by 7.6% from RMB246.7 million for the year ended 31 December 2021 to RMB227.8 million for 2022. The Group's administrative expenses as a percentage of the Group's revenue decreased from 4.2% for 2021 to 3.7% for 2022. The decrease in administrative expenses was mainly attributable to the decrease in remuneration of the management.

## **Other Income and Gains – net**

The Group's net amount of other income and gains – net decreased by 17.6% from RMB167.7 million for the year ended 31 December 2021 to RMB138.2 million for 2022, which was mainly due to the decrease in government grant received and gains on changes in fair values of financial assets.

## **Finance Income – net**

The Group's net amount of finance income increased by 5.6% from RMB23.1 million for the year ended 31 December 2021 to RMB24.4 million for 2022, which was mainly due to the increase in interest income on term deposits.

## **Profit before Income Tax**

As a result of the foregoing, the Group's profit before income tax decreased by 2.4% from RMB1,170.2 million for the year ended 31 December 2021 to RMB1,142.1 million for 2022.

## **Income Tax Expenses**

The Group's income tax expenses increased by 4.3% from RMB312.6 million for the year ended 31 December 2021 to RMB326.2 million for 2022. The effective tax rate increased from 26.7% for the year ended 31 December 2021 to 28.6% for the year ended 31 December 2022, which was mainly due to the increase in withholding tax on the profits expected to be distributed by the Group's subsidiaries in Mainland China to the Group's overseas subsidiaries.

## **Profit for the Year**

As a result of the foregoing, profit of the Group decreased by 4.8% from RMB857.6 million for the year ended 31 December 2021 to RMB816.0 million for 2022. Basic earnings per share decreased from RMB78.2 cents for the year ended 31 December 2021 to RMB75.7 cents for 2022, and net profit margin decreased from 14.4% for the year ended 31 December 2021 to 13.3% for 2022, mainly due to the increase in the price of raw materials, the decrease in gross profit margin and the increase in income tax expenses.

## **Capital Liquidity and Financial Resources**

For the year ended 31 December 2022, the Group's operations were mainly funded by the cash generated from its operation. The Group intended to utilize internal resources to provide funds for its business operations and expansion through organic growth and sustainable development.

## **Cash and Cash Equivalents**

As at 31 December 2022, the Group's cash and cash equivalents were mainly composed of Renminbi, Hong Kong dollars and US dollars. Cash and cash equivalents amounted to approximately RMB1,880.5 million (31 December 2021: RMB1,573.6 million).

## **Asset-Liability Ratio**

As at 31 December 2022, the Group's asset-liability ratio<sup>(7)</sup> was 18.3% (31 December 2021: 17.9%). The Group did not have any bank borrowings.

Note:

(7) The asset-liability ratio is calculated by dividing total liabilities as at the end of each financial period by total assets.

## **Inventories**

Inventories mainly include raw materials, work in progress and finished goods. As at 31 December 2022, the inventories amounted to approximately RMB387.5 million (31 December 2021: RMB395.3 million), and the turnover days of inventories decreased from 35.9 days for the year ended 31 December 2021 to 33.3 days for the year ended 31 December 2022. The decrease in turnover days of inventories was mainly due to the Group's enhanced efficiency in inventory control.

## **Trade Receivables**

Trade receivables represent the amounts due from customers in respect of sales of goods in the ordinary course of business. As at 31 December 2022, the trade receivables amounted to approximately RMB155.6 million (31 December 2021: RMB236.5 million). The change was mainly due to the decrease in revenue from related parties. The turnover days of trade receivables decreased from 12.9 days for the year ended 31 December 2021 to 11.6 days for the year ended 31 December 2022.

## **Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Due to the cyclical effects of low and peak seasons for production and sales and the seasonal procurement cycle, trade payables amounted to approximately RMB396.3 million as at 31 December 2022 (31 December 2021: RMB294.3 million). The turnover days of trade payables increased from 25.7 days for the year ended 31 December 2021 to 29.4 days for the year ended 31 December 2022.

## **Contingent Liabilities**

As at 31 December 2022, the Company did not have any material contingent liabilities.

## **Charge of Assets**

As at 31 December 2022, the Company did not charge any fixed assets as securities for borrowings.

## **Borrowings**

As at 31 December 2022, the Company did not have any bank borrowings.



## **Debt-to-Equity Ratio**

As at 31 December 2022, the debt-to-equity ratio<sup>(8)</sup> of the Company was 2.5% (2021: 3.4%).

Note:

- (8) Debt-to-equity ratio is calculated by dividing total debt by total equity. Total debt is defined as including interest-bearing liabilities which are not incurred during the ordinary course of business

## **Foreign Exchange Risk and Hedging**

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain cash in hand denominated in Hong Kong dollars and United States dollars, and is therefore exposed to foreign exchange risk. The Group has not hedged against its foreign exchange risk. However, the Group will closely monitor the exposure and will take specific measures when necessary to make sure the foreign exchange risk is manageable and within control.

## **Employees and Remuneration Policy**

As at 31 December 2022, the Group had a total of 2,720 employees (including temporary workers), comprising 2,093 employees in production, 502 employees in marketing and 125 employees in administration and management functions.

As at 31 December 2022, the Group's total staff costs amounted to RMB545.4 million, including salaries, wages, allowances and benefits. The Group continued to optimize the incentive-based system in line with business development needs and implemented remuneration policies with competitiveness.

## **Material Acquisitions and Disposals**

As at 31 December 2022, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

## **FUTURE PROSPECTS**

### **Industry and Business Outlook**

In 2023 when pandemic prevention and control enters a new stage, normal and orderly production and living will be restored, expansion in offline consumption scenes will be accelerated, the consumption environment order will gradually improve, the residents' consumption ability and willingness will gradually increase, and the foundation for the stable recovery of the consumption market will be further enhanced. The consumer market is expected to recover with an upward trend.

Looking ahead, the Group will continue to focus on product research and development, brand promotion, channel building and supply chain formation.

In respect of product development, the Group will continue to adhere to the optimized “project-based products” system. Through the combination of “theories of methodology” and practice, the Group will continuously enhance the research and development capabilities, break the deadlock in product innovation, and continue to introduce differentiated new products to improve product success rate and comprehensive competitiveness. The Company will continue to introduce new and replace obsolete product categories in hot pot soup flavourings, Chinese-style compound condiments, convenient ready-to-eat food products and casual snacks, and meet consumers’ multi-level and diversified consumption needs through product optimization and upgrading and structural innovation, and to further expand the business boundaries by studying the needs of customers of business-end catering services. At the same time, the Group will focus on the overseas market, give full play to the ability of research and development and market exploration, and enrich the product matrix in the overseas market with the unique local flavor and foreign customs as the orientation.

In respect of brand strategy, the Group will continue to implement the multi-brand strategy, through the publicity and promotions of brands such as “Haidilao”, “Magic Cook” and “Wow”, enhance consumers’ confidence in brands and break the existing brand boundaries with enriched product categories and flavors to strengthen brand awareness.

In respect of channel building, the Group will continue to improve channel operation efficiency by subdividing channels and standardizing process management, extending further coverage over the mass market, and continuously enhance the Group’s market share and position in the industry. Through the flexible use of the informatization-based management system and intelligent identification system, the Company will further learn the status at the terminal points of sales and the changes in products, with a view to further improving the intelligent management level of the Group. At the same time, we will continue to improve the management system and personnel incentive policy, earnestly encourage internal sales personnel and external distributors, and increase the coverage density and the efficiency of standalone points of sale.

In respect of supply chain formation, the Group will continue to establish and improve domestic and foreign factories to supplement the global supply of products. Meanwhile, we will continue investing in lean production and equipment research and development, optimizing the division of supply technology categories, improving the level of automation in production lines, enhancing efficiency and optimizing the costs on supply-side. In addition, the Group has preliminarily completed the construction of the Southeast Asian supply center, and will gradually optimize and integrate procurement resources, reduce transportation and logistics costs, improve the efficiency of overseas supply chains, and gradually expand to other overseas regional markets by radial coverage over the Southeast Asian market.

## **Material Investments and Prospects**

In order to further supplement and optimize production capacity, the Group is expected to mainly take the following measures in 2023:

Firstly, the Bazhou Phase II project in Hebei Province commenced construction in June 2022, and is expected to commence operation in the third quarter of 2023, with a planned annual production capacity of 82,000 tonnes of convenient ready-to-eat food products, mainly for sales in northern and northeastern regions of China, which is helpful for the Group to better control logistics costs to relieve production capacity pressure during peak seasons.

Secondly, the main plant of the Ma'anshan Phase II new factory project in Anhui Province has been completed and commenced operation in February 2023, with a planned annual production capacity of 15,000 tonnes, and is equipped with condiment production equipment and quality testing instruments at domestic and foreign advanced technological standards, mainly for enriching the production lines for the products of prepared food packs and meat buns.

Thirdly, the Luohe production base in Henan Province officially commenced construction in March 2020, with a current total annual designed production capacity of 300,000 tonnes. The annual production capacity of the first phase is planned to be 150,000 tonnes, of which workshop No. 2 was mainly planned for production lines of dipping sauced and spices. In order to cater for the needs of the self-owned factory in central China region and the intended development of regional business-end customers, the aggregate planned production capacity will be 60,000 tonnes. Among that, the production lines for dipping sauce and spices commenced operation in September 2022, and the first quarter of 2023, respectively. The Luohe production base may increase its production capacity successively according to actual demand at a later stage.

Fourthly, the production base of Jianyang in Sichuan Province mainly focuses on hot pot soup flavourings and compound condiment products, with a planned annual production capacity of 25,000 tonnes, which is expected to be put into operation by the end of 2023. It will mainly focus to satisfy the demand of soup flavourings and compound condiments in Southwest China, and will develop regional business-end customers.

Fifthly, the Thai factory is located in Rojana Industrial Park of Ayutthaya in Thailand, mainly for the production of hot pot soup flavourings and compound condiment products. Phase I has a planned annual production capacity of 16,000 tonnes, which commenced construction at the end of February in 2021 and is expected to commence operation in April 2023; Phase II has a planned production capacity of 20,000 tonnes and is expected to commence operation in 2025. The Thai factory is currently mainly targeted at the Southeast Asian market, and it will gradually supply to other regional markets overseas in the future.

### **Future Plans for Material Investments**

The Group will continue to look for potential strategic investment opportunities extensively, and will keep on seeking potential high-quality targets that can bring synergies to the Group in the aspects of among other things, product research and development, product portfolio, channel expansion and cost control.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Compliance with the Corporate Governance Code**

The Company has adopted and applied the principles and code provisions as set out in the part 2 of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and has complied with the code provisions in the part 2 of the Corporate Governance Code for the year ended 31 December 2022.

### **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 2022.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code. The Company was not aware of any non-compliance of the Model Code by the employees for the year ended 31 December 2022.

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2022.

### **Audit Committee**

The audit committee of the Board (the “**Audit Committee**”) has three members comprising all independent non-executive Directors, being Mr. Yau Ka Chi (chairman of the Audit Committee), Mr. Qian Mingxing and Ms. Ye Shujun, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management, including the review of the audited consolidated results of the Group for the year ended 31 December 2022. The Audit Committee considers that the annual financial results for the year ended 31 December 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## Scope of Work of Auditor

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set forth in this announcement have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## The Restricted Share Unit Scheme

The Company has approved and adopted a restricted share unit scheme (the "**RSU Scheme**") by a resolution of the shareholders of the Company (the "**Shareholder(s)**") and a resolution of the Board on 24 February 2016. The Company will comply with the provisions of the new Chapter 17 of the Listing Rules effective from the financial year commencing from 1 January 2023 subject to the transitional arrangements provided for the RSU Scheme.

Pursuant to the RSU Scheme, the restricted share units (the "**RSU(s)**") do not carry any right to vote at general meetings of the Company. No grantee of the RSUs (the "**RSU Grantee**") shall enjoy any of the rights of a shareholder by virtue of the grant of an award of the RSUs (the "**Award**"), unless and until such shares underlying the Award are actually transferred to the RSU Grantee upon vesting of the RSU. Unless otherwise specified by the Board in its entire discretion, an RSU Grantee does not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any shares underlying an Award. Please refer to the section headed "Appendix IV – Statutory and General Information" of the prospectus of the Company dated 30 June 2016 for details.

The Company did not grant any RSUs in 2022.

## Events after the End of the 31 December 2022

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this announcement.

## FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting (the "**AGM**") on Thursday, 18 May 2023 for the distribution of a final dividend of RMB17.72 cents per share for the year ended 31 December 2022. The final dividend is expected to be paid on or about Wednesday, 14 June 2023 to the Shareholders whose names are listed in the register of members of the Company on Thursday, 25 May 2023, in an aggregate of approximately RMB185,510,680. The final dividend will be distributed in Hong Kong dollars and will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollar announced by the People's Bank of China in the five working days prior to but excluding the date of the Board meeting held on Thursday, 30 March 2023. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

## **CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE**

The register of members of the Company will be closed from Monday, 15 May 2023 to Thursday, 18 May 2023, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, 18 May 2023. The Shareholders whose names appear on the register of members of the Company on Monday, 15 May 2023 (the “**Record Date**”) will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 12 May 2023.

The register of members of the Company will also be closed from Wednesday, 24 May 2023 to Thursday, 25 May 2023, both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. The Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2023 will be entitled to the final dividend. In order to be eligible to be entitled to the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 23 May 2023.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.yihchina.com](http://www.yihchina.com)).

The annual report for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **APPRECIATION**

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By Order of the Board  
**Yihai International Holding Ltd.**  
**Sean Shi**  
*Chairman*

Hong Kong, 30 March 2023

*As at the date of this announcement, the executive Directors of the Company are Mr. Sean Shi, Mr. Guo Qiang, Mr. Sun Shengfeng, Ms. Shu Ping and Mr. Zhao Xiaokai; the non-executive Director of the Company is Mr. Zhang Yong; and the independent non-executive Directors of the Company are Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.*