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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “**Board**”) of Yihai International Holding Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**” or “**We**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with comparative figures for the same period of 2022.

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB2,616.2 million for the six months ended 30 June 2023, a 2.7% decrease from RMB2,688.5 million for the six months ended 30 June 2022.
- Gross profit was RMB798.6 million for the six months ended 30 June 2023, a 4.4% increase from RMB765.1 million for the six months ended 30 June 2022.
- Operating profit was RMB498.4 million for the six months ended 30 June 2023, a 28.0% increase from RMB389.3 million for the six months ended 30 June 2022.
- Net profit attributable to the owners of the Company was RMB357.8 million for the six months ended 30 June 2023, a 36.0% increase from RMB263.1 million for the six months ended 30 June 2022.
- Earnings per share (basic) was RMB36.59 cents for the six months ended 30 June 2023, a 36.3% increase from RMB26.84 cents for the six months ended 30 June 2022.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,721,087	1,668,759
Right-of-use assets		222,954	239,270
Intangible assets		15,067	16,883
Deferred income tax assets		58,094	57,717
Financial assets at fair value through profit or loss		141,499	135,687
Term deposits with initial term over one year		332,924	200,000
Other non-current assets	5	140,980	121,492
Total non-current assets		<u>2,632,605</u>	<u>2,439,808</u>
Current assets			
Inventories		259,393	387,484
Other current assets	5	49,816	54,224
Trade receivables	6	198,410	155,627
Other financial assets at amortised cost		16,902	17,383
Term deposits with initial term over three months and within one year		–	611,236
Restricted cash		5,003	5,000
Cash and cash equivalents		2,092,082	1,880,531
Total current assets		<u>2,621,606</u>	<u>3,111,485</u>
Total assets		<u>5,254,211</u>	<u>5,551,293</u>
Equity			
Equity attributable to owners of the Company			
Share capital	7	67	68
Shares held for restricted share unit scheme		(4)	(4)
Other reserves		207,119	382,959
Retained earnings		4,115,362	3,936,849
Capital and reserves attributable to owners of the Company		4,322,544	4,319,872
Non-controlling interests		236,284	217,149
Total equity		<u>4,558,828</u>	<u>4,537,021</u>

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		68,375	75,730
Deferred income tax liabilities		35,552	53,412
Other non-current liabilities		29,616	25,297
		<u>133,543</u>	<u>154,439</u>
Total non-current liabilities		<u>133,543</u>	<u>154,439</u>
Current liabilities			
Trade payables	8	240,062	396,254
Contract liabilities		55,628	102,785
Lease liabilities		41,633	38,577
Other payables and accruals		139,929	203,915
Current income tax liabilities		84,588	118,302
		<u>561,840</u>	<u>859,833</u>
Total current liabilities		<u>561,840</u>	<u>859,833</u>
Total liabilities		<u>695,383</u>	<u>1,014,272</u>
Total equity and liabilities		<u>5,254,211</u>	<u>5,551,293</u>

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Unaudited	
		Six months ended 30 June	
	Note	2023	2022
		RMB'000	RMB'000
Revenue	4	2,616,226	2,688,482
Cost of sales	9	<u>(1,817,637)</u>	<u>(1,923,375)</u>
Gross profit		798,589	765,107
Distribution expenses	9	(239,756)	(314,491)
Administrative expenses	9	(140,838)	(126,214)
Other income and gains – net	10	<u>80,434</u>	<u>64,913</u>
Operating profit		<u>498,429</u>	<u>389,315</u>
Finance income	11	30,840	15,225
Finance costs	11	<u>(2,343)</u>	<u>(3,157)</u>
Finance income – net	11	<u>28,497</u>	<u>12,068</u>
Profit before income tax		526,926	401,383
Income tax expense	12	<u>(149,966)</u>	<u>(105,366)</u>
Profit for the period		<u>376,960</u>	<u>296,017</u>
Profit for the period attributable to:			
– Owners of the Company		357,825	263,144
– Non-controlling interests		<u>19,135</u>	<u>32,873</u>
		<u>376,960</u>	<u>296,017</u>
Other comprehensive losses			
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(84)</u>	<u>(5,802)</u>
Other comprehensive loss for the period, net of tax		<u>(84)</u>	<u>(5,802)</u>
Total comprehensive income for the period		<u>376,876</u>	<u>290,215</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		357,741	257,342
– Non-controlling interests		<u>19,135</u>	<u>32,873</u>
		<u>376,876</u>	<u>290,215</u>
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
– Basic	13	36.59	26.84
– Diluted	13	<u>36.59</u>	<u>26.84</u>

Notes:

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 “HKSE”) was completed on 13 July 2016.

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

This interim condensed consolidated financial information was approved for issue by the board of directors of the Company on 29 August 2023.

This interim condensed consolidated financial information has been reviewed, not audited.

2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

3. ACCOUNTING POLICIES

The accounting policies applied to the preparation of this interim condensed consolidated financial information are consistent with those applied in the annual consolidated financial statements for the year ended 31 December 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings. A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards.

Impact of standards issued but not yet applied by the Group

Certain amended standards have been published but are not mandatory for reporting period commencing 1 January 2023 and have not been early adopted by the Group. These amended standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. 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 six months ended 30 June 2023 and 2022. Accordingly, no geographical information is presented.

Breakdown of revenue by product categories is as follows:

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
Revenue recognised at a point in time		
Hot pot condiment		
– Related parties	839,540	613,031
– Third parties	814,675	809,895
Subtotal	<u>1,654,215</u>	<u>1,422,926</u>
Chinese-style compound condiment		
– Related parties	18,656	4,833
– Third parties	346,680	338,022
Subtotal	<u>365,336</u>	<u>342,855</u>
Convenient ready-to-eat food products		
– Related parties	28,970	41,572
– Third parties	544,060	855,695
Subtotal	<u>573,030</u>	<u>897,267</u>
Others		
– Related parties	173	45
– Third parties	23,472	25,389
Subtotal	<u>23,645</u>	<u>25,434</u>
Total	<u><u>2,616,226</u></u>	<u><u>2,688,482</u></u>

Revenue from sales attributable to related parties accounted for approximately 33.9% and 24.5% of the Group’s total revenue for the six months ended 30 June 2023 and 2022 respectively.

5. OTHER ASSETS

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Prepayments for property, plant and equipment	140,980	121,492
Value-added tax recoverable	28,101	26,660
Prepayments for marketing and consulting expenses	10,929	12,861
Prepayments for purchase of raw materials	4,763	7,383
Prepayments for short-term leases of warehouses and staff quarters	1,045	1,215
Others	4,978	6,105
	<u>190,796</u>	<u>175,716</u>
Less: non-current items	<u>(140,980)</u>	<u>(121,492)</u>
Other current assets	<u>49,816</u>	<u>54,224</u>

6. TRADE RECEIVABLES

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Trade receivables		
– Third parties	8,121	6,163
– Related parties	190,477	149,652
	<u>198,598</u>	<u>155,815</u>
Less: provision for impairment	<u>(188)</u>	<u>(188)</u>
Trade receivables – net	<u>198,410</u>	<u>155,627</u>

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 major 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:

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Within 3 months	198,598	155,815
More than 3 months	<u>–</u>	<u>–</u>
	<u>198,598</u>	<u>155,815</u>

No provision for impairment allowance on trade receivables has been recognised during six months ended 30 June 2023 and 2022.

7. SHARE CAPITAL

Authorised:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares of US\$0.00001 each on 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	5,000,000,000	50,000	307

Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares of US\$0.00001 each on 1 January 2022, 30 June 2022 and 1 January 2023	1,046,900,000	10,469	68
Repurchase and cancellation of ordinary shares (Note)	(10,200,000)	(102)	(1)
Ordinary shares of US\$0.00001 each on 30 June 2023	1,036,700,000	10,367	67

Note:

During the six months ended 30 June 2023, the Company repurchased a total of 10,200,000 of its own ordinary shares through the Hong Kong Stock Exchange at an aggregate consideration of approximately RMB175,757,000. As at 30 June 2023, all these repurchased shares were cancelled.

8. TRADE PAYABLES

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

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

	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Within 3 months	238,744	394,221
3 to 6 months	769	1,599
6 months to 1 year	549	434
Total	240,062	396,254

9. EXPENSES BY NATURE

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

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Changes in inventories of finished goods	76,524	(40,274)
Raw materials and consumables used	1,517,617	1,738,859
Employee benefit expenses	247,028	268,967
Transportation and related charges	77,406	105,333
Advertising and other marketing expenses	34,611	67,381
Depreciation of property, plant and equipment	70,891	55,931
Utilities	35,268	31,106
Warehouse expenses	22,224	25,185
Depreciation of right-of-use assets	19,360	21,276
Taxes and surcharges	18,634	19,126
Travel and entertainment expenses	20,648	13,125
Technical supporting fees, professional fees and other services fees	14,734	11,014
Maintenance costs	8,254	6,779
Expense relating to short-term leases not included in lease liabilities	4,357	6,626
Amortisation of intangible assets	3,256	3,343
Auditor's remuneration	993	993
Write off of obsolete inventories	2,289	753
Other expenses	24,137	28,557
Total	2,198,231	2,364,080

10. OTHER INCOME AND GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Government grants (Note)	42,969	33,336
Change in fair value of financial assets at fair value through profit or loss	6,543	7,430
Net foreign exchange gains	28,561	15,589
Sales of scrap materials	7,050	7,083
Losses on disposal/write-off of property, plant and equipment and intangible assets	(5,462)	(2,626)
Donation	–	(57)
Others	773	4,158
Total	80,434	64,913

Note:

Government grant is mainly from government subsidy income. 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.

11. FINANCE INCOME – NET

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Finance income		
– Interest income	30,840	15,225
Finance costs		
– Interest on lease liabilities	(2,343)	(3,157)
Finance income – net	<u>28,497</u>	<u>12,068</u>

12. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2023 RMB'000	2022 RMB'000
Current income tax expense	131,203	115,198
Deferred income tax expense/(credit)	18,763	(9,832)
Income tax expense	<u>149,966</u>	<u>105,366</u>

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2023 is approximately 28.5% (six months ended 30 June 2022: 26.3%).

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the six months ended 30 June 2023 and 2022 is 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 the shares as held for the Group's restricted share unit scheme (“**RSU Scheme**”) during the reporting period.

	Unaudited Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	<u>357,825</u>	<u>263,144</u>
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	<u>977,942</u>	<u>980,332</u>
Basic earnings per share (RMB cents)	<u>36.59</u>	<u>26.84</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.

No diluted earnings per share has been presented since there was no potential dilutive ordinary share in issue during the six months ended 30 June 2023 and 2022.

Diluted earnings per share is therefore same as the basic earnings per share.

14. DIVIDENDS

During the six months ended 30 June 2023, the total dividends paid amounted to RMB179,312,000 or RMB17.72 cents per share (six months ended 30 June 2022: RMB224,563,000 or RMB21.9563 cents per share), which are net of the dividend of RMB12,322,000 (six months ended 30 June 2022: RMB15,374,000) attributable to the shares held for the RSU Scheme.

2023 INTERIM PERFORMANCE REVIEW

In the first half of 2023, as the economy had comprehensively resumed normal operation and the macroeconomic policies were gradually unfolding effectiveness, the market demand gradually recovered, residents' income grew steadily, and the overall economic operation was improving in its entirety. The demand for retail products for household consumption, which was spawned by the pandemic, resumed stable, while catering consumption showed a momentum of continuing recovery.

In the same period, the Group focused its main business on enhancing the channel expansion, building and refined management, improving the product research and development mechanism and gradually expanding the business-end market, continuously implementing the multi-brand strategy, while at the same time optimizing its own production and supply capacity.

With respect to channel building, the Group continued to focus on refined and standardized channel management. On the basis of channel segmentation, the condiments and instant food partners were divided according to the differences in product distribution in different regions. At the same time, the Group insisted on optimizing the “partners” assessment system, and constantly improved the management system and personnel incentive system. The Group strengthened the construction of informatization-based management and intelligent identification systems to improve the capture of changes in terminal data in a practical and effective manner.

In terms of product research and development, the Group continued to break through product research and development boundaries. While pursuing product taste and form innovation, the Group attached great attention to consumers' demand for extension of usage scenarios and cost-performance ratio. The Group always adheres to the “project-based products” system and combines it with continuously validated “theories of methodology”, under the guidance of which, 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. At the same time, the Group gradually expanded its business-end catering customers and overseas markets to continuously enrich its product matrix to meet the multi-level and diversified consumption needs of consumers.

The Group kept implementation of 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 products, and further enhanced consumers’ brand awareness through various publicity and promotion methods such as online platform communication and offline display of materials, as well as interactions with consumers, so as to achieve the Group’s multi-brand strategic plan.

With regards to optimizing supply capacity, the Group continued to optimize production capacity allocation. With the commencement of operation of the Ma’anshan Phase II factory and the Thai factory, the Group’s self-production ratio and overseas supply capacity have been further improved, and the control over the stability and safety of corresponding products has also been further enhanced. At the same time, the production capacity of dipping sauces and spices in the second workshop of Luohe Production Base Phase I was increased by 30,000 tons, which further improved the Group’s ancillary production system and helped to promote the overall efficiency of the supply chain.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group recorded the revenue of RMB2,616.2 million, representing a year-on-year decrease of 2.7%, and a net profit of RMB377.0 million, representing a year-on-year increase of 27.3%.

Sales Channels

The Group continued to provide cooking condiment solutions to Chinese family cooking customers, catering service providers and companies in the food industry and also remained as the supplier of condiment products to Haidilao International Holding Ltd. (together with its subsidiaries, the “**Haidilao Group**”), Super Hi International Holding Ltd. (together with its subsidiaries, the “**Super Hi International Group**”) and Shuhai (Beijing) Supply Chain Management Co., Ltd. (together with its subsidiaries, the “**Shuhai Supply Chain Group**”), each a related party, as well as their respective subsidiaries. Whilst we also provided consumers with delicious and diverse food products. As of 30 June 2023, the major products of the Group included hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products, and the major channels for sales to third parties included distributors, e-commerce, and catering customers. The Group’s sales to third-party distributors has covered a total of 34 provincial administrative regions in China as well as other 49 countries and regions overseas.

In the first half of 2023, the Group continued to focus on the building and expansion of third-party sales channels, promote the healthy development of sales channels, implement refined and standardized management of channels and distributors, and adhere to the assessment mechanism of “partners” system through the combination of process assessment and performance evaluation. At the same time, in order to further improve the standardized process of channel management, we adopted segmented management of condiments and instant food partners based on local conditions according to the differences of different categories in markets of different distribution area. We continued to improve the informatization-based management system, continuously strengthened the practicability and availability of the information system, and achieved accurate and efficient communication through channels, so as to improve the overall operational efficiency. At the same time, the Group further explored the lower-end markets, expanded the product audience, continuously improved the channel coverage of the lower-end markets, increased the number of products launched at the sales point, and improved the overall satisfaction of the channels.

In respect of the development of e-commerce channels, the Group authorized professional distributors to manage some online flagship stores and insisted on using the flagship stores as the major interactive base for brands to enhance communication with consumers in order to continuously improve interactive consumer experience so as to further boost the influence of e-commerce channel communication and operational efficiency, while providing more intimate shopping experience for consumers. In the first half of 2023, the Group continued to formulate targeted marketing plans for different festivals and promotional campaigns. As of 30 June 2023, the Group had nine flagship stores on e-commerce platforms such as Tmall.com, JD.com and Pinduoduo.

For sales to related parties (i.e., sales to the Haidilao Group, the Super Hi International Group and the Shuhai Supply Chain Group), as the economy and society comprehensively resumed normal operation, market vitality gradually recovered, with more active offline consumption scenarios and continuous recovery in catering consumption, the Group recorded sales revenue from related parties of RMB887.3 million for the six months ended 30 June 2023, representing a year-on-year increase of 34.6%.

Products

In the first half of 2023, the Group continued to seek new opportunities for product innovation and categories expansion, train professional technical talents, and adhere to the implementation of a product research and development system that combines planning and coordination by the innovation committee with detailed research and implementation by product team leaders. By bridging theories and practices, the Group continuously enriched the “methodology” of product research and development, improved the development process and further optimized the selection criteria for product launch. In line with the changes in market demand, the Group has continued to explore products that meet the needs of customers and the market, continuously enriched the product matrix, optimized the product structure, and enhanced the market position of core products. Meanwhile, the Group further expanded its business horizon by investigating the needs of business-end catering customers and completed customer expansion and the initial development stage of business-end product matrix. For overseas products, the Group fully leveraged on its market exploration capabilities, changed its research and development ideas, and focused on the unique local flavors in exotic style, with a view to enhancing the acceptance of products in overseas markets. At the same time, The Group continued to implement the multi-brand strategy, and determined the use and marketing plan of “Magic Cook (筷手小厨)” and “Haidilao (海底捞)” brands based on product attributes, so as to enhance brand awareness and reputation.

In the first half of 2023, the Group launched new product categories such as soup, beef tallow cubes and a variety of convenient ready-to-eat food products to meet consumers’ diversified needs for usage scenarios and high cost-performance and conducted product promotions by ways of marketing methods that matched with festival themes, online communication, and promotional activities.

For the six months ended 30 June 2023, the Group had added a total of 14 hot pot condiment products, 35 Chinese-style compound condiment products, and 29 convenient ready-to-eat food products, and at the same time, taking into account the market feedback and dynamic sales of the products, it had ceased to sell certain products and consolidated certain product specifications. As at 30 June 2023, the Group sold a total of 54 hot pot condiment products, 71 Chinese-style compound condiment products, and 60 convenient ready-to-eat food 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 six months ended 30 June					
	2023			2022		
	Revenue (RMB'000)	Sales Volume (tonnes)	Average selling price per kg (RMB)	Revenue (RMB'000)	Sales Volume (tonnes)	Average selling price per kg (RMB)
Hot pot condiments⁽¹⁾						
Third parties	814,675	28,438	28.6	809,895	28,239	28.7
Related parties	839,540	41,393	20.3	613,031	31,715	19.3
Subtotal	<u>1,654,215</u>	<u>69,831</u>	<u>23.7</u>	<u>1,422,926</u>	<u>59,954</u>	<u>23.7</u>
Chinese-style compound condiments⁽²⁾						
Third parties	346,680	14,241	24.3	338,022	13,819	24.5
Related parties	18,656	792	23.6	4,833	227	21.3
Subtotal	<u>365,336</u>	<u>15,033</u>	<u>24.3</u>	<u>342,855</u>	<u>14,046</u>	<u>24.4</u>
Convenient ready-to-eat food products⁽³⁾						
Third parties	544,060	15,239	35.7	855,695	21,586	39.6
Related parties	28,970	1,091	26.6	41,572	1,047	39.7
Subtotal	<u>573,030</u>	<u>16,330</u>	<u>35.1</u>	<u>897,267</u>	<u>22,633</u>	<u>39.6</u>
Others⁽⁴⁾	<u>23,645</u>	<u>2,420</u>	<u>9.8</u>	<u>25,434</u>	<u>9,342</u>	<u>2.7</u>
Total	<u>2,616,226</u>	<u>103,614</u>	<u>25.2</u>	<u>2,688,482</u>	<u>105,975</u>	<u>25.4</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 six months ended 30 June			
	2023		2022	
	RMB'000	% of revenue	RMB'000	% of revenue
Revenue from hot pot condiments	1,654,215	63.2%	1,422,926	52.9%
Revenue from Chinese-style compound condiments	365,336	14.0%	342,855	12.8%
Revenue from convenient ready-to-eat food products	573,030	21.9%	897,267	33.4%
Other revenue	23,645	0.9%	25,434	0.9%
Total revenue	2,616,226	100%	2,688,482	100%

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by 2.7% from RMB2,688.5 million for the six months ended 30 June 2022 to RMB2,616.2 million for the corresponding period in 2023.

Revenue by product

	For the six months ended 30 June			
	2023		2022	
	Revenue (RMB'000)	% of revenue from hot pot condiments	Revenue (RMB'000)	% of revenue from hot pot condiments
Revenue from hot pot condiments products				
Revenue from third parties	814,675	49.2%	809,895	56.9%
Revenue from related parties	839,540	50.8%	613,031	43.1%
Total revenue from hot pot condiments products	1,654,215	100%	1,422,926	100%

Revenue from hot pot condiment products increased by 16.3% from RMB1,422.9 million for the six months ended 30 June 2022 to RMB1,654.2 million for the corresponding period in 2023, accounting for 63.2% of the revenue for the same period. Among this, revenue from sales of hot pot condiment products to related parties increased by 36.9% year-on-year, which was mainly due to the increase in revenue from stores of related parties as the catering industry recovered; and revenue from sales of hot pot condiment products to third parties increased by 0.6% year-on-year.

	For the six months ended 30 June			
	2023	% of revenue from Chinese-style compound condiments	2022	% of revenue from Chinese-style compound condiments
	Revenue (RMB'000)		Revenue (RMB'000)	
Revenue from Chinese-style compound condiments				
Revenue from third parties	346,680	94.9%	338,022	98.6%
Revenue from related parties	18,656	5.1%	4,833	1.4%
Total revenue from Chinese-style compound condiments	<u>365,336</u>	<u>100%</u>	<u>342,855</u>	<u>100%</u>

Revenue from Chinese-style compound condiments increased by 6.6% from RMB342.9 million for the six months ended 30 June 2022 to RMB365.3 million for the corresponding period of 2023, accounting for 14.0% of the revenue for the same period. Among this, the revenue from sales of Chinese-style compound condiments to related parties increased by 286.0%, which was mainly due to the increase in product categories after the launch of new products; and the revenue from sales of Chinese-style compound condiments to third parties increased by 2.6%, mainly due to the upgrade of the condiment products and the launch of new products.

	For the six months ended 30 June			
	2023	% of revenue from convenient ready-to-eat food products	2022	% of revenue from convenient ready-to-eat food products
	Revenue (RMB'000)		Revenue (RMB'000)	
Revenue from convenient ready-to-eat food products				
Revenue from third parties	544,060	94.9%	855,695	95.4%
Revenue from related parties	28,970	5.1%	41,572	4.6%
Total revenue from convenient ready-to-eat food products	<u>573,030</u>	<u>100%</u>	<u>897,267</u>	<u>100%</u>

The revenue from convenient ready-to-eat food products decreased by 36.1% from RMB897.3 million for the six months ended 30 June 2022 to RMB573.0 million for the corresponding period of 2023, accounting for 21.9% of the revenue for the same period. Among this, the revenue from sales of convenient ready-to-eat food products to related parties decreased by 30.3%; and the revenue from sales of convenient ready-to-eat food products to third parties decreased by 36.4%. The decrease was mainly due to the resumption of diversified consumption scenarios, decrease in demand for self-serving small hot pots and a change in the sales structure of instant food during the Reporting Period.

Revenue by distribution network

	For the six months ended 30 June			
	2023		2022	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Related party customers				
Haidilao Group, Super Hi International Group, Shuhai Supply Chain Group	887,339	33.9%	659,481	24.6%
Third party customers				
Distributors	1,570,028	60.0%	1,858,120	69.1%
E-commerce	155,883	6.0%	159,392	5.9%
Others	2,976	0.1%	11,489	0.4%
Total revenue	2,616,226	100%	2,688,482	100%

In the first half of 2023, as the economy and society fully resumed normal operation, the market vitality had been recovering gradually, the offline consumption scenario became more proactive, and the catering consumption continued to recover. Revenue from sales to related parties was RMB887.3 million for the six months ended 30 June 2023, representing a year-on-year increase of 34.6%.

For the six months ended 30 June 2023, revenue from sales to distributors was RMB1,570.0 million, representing a year-on-year decrease of 15.5%; and sales revenue from e-commerce channels was RMB155.9 million, representing a year-on-year decrease of 2.2%.

Revenue by geographic region

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

	For the six months ended 30 June			
	2023		2022	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Northern China ⁽⁵⁾	1,137,334	43.5%	1,108,883	41.2%
Southern China ⁽⁶⁾	1,314,345	50.2%	1,424,313	53.0%
Other markets	164,547	6.3%	155,286	5.8%
Total revenue	2,616,226	100%	2,688,482	100%

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, etc., decreased by 5.5% from RMB1,923.4 million for the six months ended 30 June 2022 to RMB1,817.6 million for the corresponding period of 2023. The decrease in cost of sales was mainly due to decrease in purchase price in raw materials such as grease and beef pack.

Gross Profit and Gross Profit Margin

	For the six months ended 30 June			
	2023		2022	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Hot pot condiments	544,563	32.9%	466,156	32.8%
Third parties	391,171	48.0%	388,046	47.9%
Related parties	153,392	18.3%	78,110	12.7%
Chinese-style compound condiments	120,455	33.0%	108,863	31.8%
Third parties	117,721	34.0%	108,090	32.0%
Related parties	2,734	14.7%	773	16.0%
Convenient ready-to-eat food products	133,213	23.2%	189,672	21.1%
Third parties	126,367	23.2%	181,830	21.2%
Related parties	6,846	23.6%	7,842	18.9%
Others	358	1.5%	416	1.6%
Total	798,589	30.5%	765,107	28.5%

The Group's gross profit increased by 4.4% from RMB765.1 million for the six months ended 30 June 2022 to RMB798.6 million for the corresponding period in 2023, and the gross profit margin increased from 28.5% for the six months ended 30 June 2022 to 30.5% for the corresponding period in 2023. The increase in gross profit margin was mainly due to decrease in cost of sales as a result of price decrease in some of the raw materials.

Distribution Expenses

The Group's distribution expenses decreased by 23.8% from RMB314.5 million for the six months ended 30 June 2022 to RMB239.8 million for the corresponding period in 2023. The Group's distribution expenses as a percentage of the Group's revenue decreased from 11.7% for the six months ended 30 June 2022 to 9.2% for the corresponding period in 2023. The decrease in distribution expenses was mainly attributable to the decrease in advertising expenses and transportation expenses.

Administrative Expenses

The Group's administrative expenses increased by 11.6% from RMB126.2 million for the six months ended 30 June 2022 to RMB140.8 million for the corresponding period in 2023. The Group's administrative expenses as a percentage of the Group's revenue increased from 4.7% for the six months ended 2022 to 5.4% for the corresponding period in 2023. The increase in administrative expenses was mainly attributable to the increase in the travel and office expenses and new plants establishment expenses.

Other Income and Gains – Net

The Group's net amount of other income and gains increased by 23.9% from RMB64.9 million for the six months ended 30 June 2022 to RMB80.4 million for the corresponding period in 2023, which was mainly due to the increase in gains in foreign exchange of the Group as a result of the change in foreign exchange rate and the increase in government grant.

Finance Income – Net

The Group's net amount of finance income increased by 136.1% from RMB12.1 million for the six months ended 30 June 2022 to RMB28.5 million for the corresponding period in 2023, which was mainly due to the increase in interest income as a result of the increase in deposits of the Group.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by 31.3% from RMB401.4 million for the six months ended 30 June 2022 to RMB526.9 million for the corresponding period in 2023.

Income Tax Expenses

The Group's income tax expenses increased by 42.3% from RMB105.4 million for the six months ended 30 June 2022 to RMB150.0 million for the corresponding period in 2023. The effective tax rate increased from 26.3% for the six months ended 30 June 2022 to 28.5% for the corresponding period in 2023, 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 Period

As a result of the foregoing, the Group's net profit increased by 27.3% from RMB296.0 million for the six months ended 30 June 2022 to RMB377.0 million for the corresponding period in 2023. Basic earnings per share increased from RMB26.84 cents for the six months ended 30 June 2022 to RMB36.59 cents for the corresponding period in 2023 and net profit margin increased from 11.0% for the six months ended 30 June 2022 to 14.4% for the corresponding period of 2023, which were attributable to decrease in price of raw materials, higher gross profit margin, reduction in expenses and increase in other gains.

Capital Liquidity and Financial Resources

As at 30 June 2023, 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 30 June 2023, the Group's cash and cash equivalents were mainly consisted of Renminbi, US dollars and Singapore dollars. Cash and cash equivalents amounted to approximately RMB2,092.1 million (31 December 2022: RMB1,880.5 million).

Asset-Liability Ratio

As at 30 June 2023, the Group's asset-liability ratio⁽⁷⁾ was 13.2% (31 December 2022: 18.3%). 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 30 June 2023, inventories amounted to approximately RMB259.4 million (31 December 2022: RMB387.5 million), and the turnover days of inventories decreased from 33.3 days for the year ended 31 December 2022 to 32.0 days for the six months ended 30 June 2023. 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 30 June 2023, the trade receivables amounted to approximately RMB198.4 million (31 December 2022: RMB155.6 million). The change was mainly due to the increase in revenue from related parties. The turnover days of trade receivables increased from 11.6 days for the year ended 31 December 2022 to 12.2 days for the six months ended 30 June 2023.

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 RMB240.1 million as at 30 June 2023 (31 December 2022: RMB396.3 million). The turnover days of trade payables increased from 29.4 days for the year ended 31 December 2022 to 31.5 days for the six months ended 30 June 2023.

Contingent Liabilities

As at 30 June 2023, the Company did not have any material contingent liabilities.

Charge of Assets

As at 30 June 2023, the Company did not charge any fixed assets as securities for borrowings.

Borrowings

As at 30 June 2023, the Company did not have any bank borrowings.

Debt-to-Equity Ratio

As at 30 June 2023, the debt-to-equity ratio⁽⁸⁾ of the Company was 2.4%.

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

Risk of Foreign Exchange Rate 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 Singapore 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 30 June 2023, the total number of employees of the Group was 2,713 (including temporary workers), including 2,052 employees in the production system, 509 employees in the marketing system, and 152 employees in the administrative and management-related functional systems.

For the six months ended 30 June 2023, the Group's total staff costs amounted to RMB247.0 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

For the six months ended 30 June 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PROSPECTS

Industry and Business Outlook

In the first half of 2023, as the economy and society comprehensively resumed normal operation, the national economy was rebounding with a good prospect, and the recovery of consumption market was generally stable. In the second half of 2023, with the gradual implementation of various consumption promotion policies, the consumption environment and order will be further improved, and the consumption ability and confidence of residents will continue to increase. Green shoots are expected to continue to emerge in the consumption market with a positive outlook.

In the second half of 2023, the Group will continue to focus on product research and development, brand promotion, channel building and supply chain optimization.

In respect of product research and development, the Group will continue to adhere to the “project-based products” system as the guideline, continuously improve the product research and development “theories of methodology”, focus on the combination of theory and practice, introduce innovative talents, and maintain flexibility and creativity of the research and development team while improve the product research and development capabilities. Through a stricter product selection model, the Group will continue to enhance the comprehensive competitiveness of its products to meet the diversified consumption needs of consumers at different levels. At the same time, the Group will continue to develop the Business-end product market, explore the needs of catering customers in the already-covered product categories to enrich the Business-end product matrix. In respect of overseas business, the Group puts emphasis on product development based on local characterized tastes, with a view to continuously enhancing overseas consumers’ awareness and acceptance of the Group’s products.

In terms of brand strategy, the Group will continue to implement the multi-brand strategy and enhance consumers’ awareness of our brands such as “Haidilao (海底捞)” and “Magic Cook (筷手小厨)” through online and offline promotional channels, and continue to enrich our product forms and flavours to raise the loyalty in our brand.

In respect of channel building, the Group will continue to adhere to the refined and standardized management of channels. Through the flexible use of the information management system and the improvement of the intelligent tracking and identification system, the Group’s intelligent management level will be continuously improved. At the same time, we will continue to refine and improve the management system and personnel incentive system, and earnestly encourage internal sales personnel and external distributors with a view to improving the overall operating efficiency of the channels, while further covering the sinking market, enhancing the single-point sales force, and continuously improving the market share and industry position of the Group.

In terms of supply chain optimization, the Group will continue to improve the utilization rate of production capacity on the basis of existing production capacity, continuously improve the lean production capacity and coverage capacity of the existing supply chain, optimize the division of supply technology categories, improve the degree of automation of production lines, and optimize the cost on the supply end. At the same time, with the initial establishment of the Southeast Asia supply center, the Group will gradually optimize and integrate overseas procurement resources, reduce transportation and logistics costs, improve the efficiency of overseas supply chains, and gradually spread to other overseas regional markets by radiating the Southeast Asian market.

Material Investments and Prospects

In order to further supplement and optimize production capacity, the Group mainly takes the following measures:

Firstly, the Bazhou Phase II project in Hebei Province commenced construction in June 2022, and is expected to commence operation by the third quarter of 2023. The planned annual production capacity of convenient ready-to-eat food products has been adjusted to 28,000 tonnes due to the change of relevant market demands, 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 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 30,000 tonnes, which is expected to be put into operation by the end of 2023. It will mainly focus on satisfying the demand of soup flavourings and compound condiments in Southwest China, and will develop regional business-end customers.

Thirdly, the Thai factory is located in Rojana Industrial Park of Ayutthaya in Thailand, mainly serving for the production of hot pot soup flavourings and compound condiment products. Phase I has a planned annual production capacity of 15,000 tonnes, which has already commenced operation in April 2023; and 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.

Fourthly, Yihai Anhui Technology's beef tallow production base has introduced advanced beef tallow production lines to realise the upgrade of beef tallow raw materials. The planned annual production capacity of the first phase is 57,000 tonnes, and it is expected to commence operation by the end of October 2023. The factory will focus on covering the Group's internal needs and developing business-end customers. At the same time, the construction of the second phase of the project will be launched with reference to actual needs.

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.

OTHER INFORMATION

Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2023 to the shareholders of the Company (the “**Shareholders**”).

Event after the end of the Reporting Period

There has been no material event after the end of the Reporting Period which requires disclosure in this announcement.

Purchase, Sale or Redemption of the Company's Listed Securities

During the Reporting Period, the Company repurchased a total of 10,200,000 its shares (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK\$199,740,172. All the abovementioned Shares repurchased during the Reporting Period were cancelled on 13 June 2023.

The Board considered that such repurchases would benefit the Company and create value to the Shareholders ultimately. Please refer to the Company's announcement dated 8 May 2023 and next day disclosure returns published in May 2023 and June 2023 for details of such repurchases and cancellation.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Model Code for Securities Transactions

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 Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Specific enquiries have been made to all the directors of the Company (the “**Directors**”) and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2023.

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 for securities transactions. No incident of non-compliance of the Model Code by the Company's employees was noted by the Company during the six months ended 30 June 2023.

Compliance with the Corporate Governance Code

The Company has applied the principles of good corporate governance 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 Listing Rules. During the six months ended 30 June 2023, the Company complied with the code provisions in the Corporate Governance Code.

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), 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 Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2023. The Audit Committee considers that the interim financial results for the six months ended 30 June 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Review of Interim Condensed Consolidated Financial Information

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2023 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Publication of Interim Results Announcement and Interim Report

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

The interim report for the Reporting Period containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 29 August 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.