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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 2024

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 2024 (the “**Reporting Period**”), together with comparative figures for the same period of 2023.

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB2,926.9 million for the six months ended 30 June 2024, a 11.9% increase from RMB2,616.2 million for the six months ended 30 June 2023.
- Gross profit was RMB877.5 million for the six months ended 30 June 2024, a 9.9% increase from RMB798.6 million for the six months ended 30 June 2023.
- Operating profit was RMB414.0 million for the six months ended 30 June 2024, a 16.9% decrease from RMB498.4 million for the six months ended 30 June 2023.
- Net profit attributable to the owners of the Company was RMB308.3 million for the six months ended 30 June 2024, a 13.8% decrease from RMB357.8 million for the six months ended 30 June 2023.
- Earnings per share (basic) was RMB31.78 cents for the six months ended 30 June 2024, a 13.1% decrease from RMB36.59 cents for the six months ended 30 June 2023.

Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,856,382	1,808,895
Right-of-use assets		243,048	226,914
Intangible assets		10,125	11,984
Deferred income tax assets		69,894	65,766
Financial assets at fair value through profit or loss		279,651	197,052
Term deposits with the maturity over one year		164,727	437,172
Other non-current assets	5	126,633	119,229
Total non-current assets		<u>2,750,460</u>	<u>2,867,012</u>
Current assets			
Inventories		342,228	370,532
Other current assets	5	63,076	62,358
Trade receivables	6	195,774	258,125
Other financial assets at amortised cost		14,616	19,509
Term deposits with the maturity within one year		54,994	162,533
Restricted cash		5,016	5,011
Cash and cash equivalents		1,864,581	2,309,358
Total current assets		<u>2,540,285</u>	<u>3,187,426</u>
Total assets		<u>5,290,745</u>	<u>6,054,438</u>
Equity			
Equity attributable to owners of the Company			
Share capital	7	67	67
Shares held for restricted share unit scheme		(4)	(4)
Other reserves		306,355	317,749
Retained earnings		4,088,529	4,500,117
Capital and reserves attributable to owners of the Company		<u>4,394,947</u>	<u>4,817,929</u>
Non-controlling interests		189,344	271,481
Total equity		<u>4,584,291</u>	<u>5,089,410</u>

	Note	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		92,056	54,267
Deferred income tax liabilities		31,320	60,242
Other non-current liabilities		38,006	33,808
		<u>161,382</u>	<u>148,317</u>
Total non-current liabilities		<u>161,382</u>	<u>148,317</u>
Current liabilities			
Trade payables	8	281,034	402,788
Contract liabilities		47,258	77,351
Lease liabilities		20,864	31,993
Other payables and accruals		148,775	187,020
Current income tax liabilities		47,141	117,559
		<u>545,072</u>	<u>816,711</u>
Total current liabilities		<u>545,072</u>	<u>816,711</u>
Total liabilities		<u>706,454</u>	<u>965,028</u>
Total equity and liabilities		<u>5,290,745</u>	<u>6,054,438</u>

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

		Unaudited	
		Six months ended 30 June	
	Note	2024	2023
		RMB'000	RMB'000
Revenue	4	2,926,925	2,616,226
Cost of sales	9	<u>(2,049,417)</u>	<u>(1,817,637)</u>
Gross profit		877,508	798,589
Distribution expenses	9	(352,261)	(239,756)
Administrative expenses	9	(140,207)	(140,838)
Other income and gains – net	10	<u>28,966</u>	<u>80,434</u>
Operating profit		<u>414,006</u>	<u>498,429</u>
Finance income		47,997	30,840
Finance costs		<u>(2,442)</u>	<u>(2,343)</u>
Finance income – net	11	<u>45,555</u>	<u>28,497</u>
Profit before income tax		459,561	526,926
Income tax expense	12	<u>(125,418)</u>	<u>(149,966)</u>
Profit for the period		<u>334,143</u>	<u>376,960</u>
Profit for the period attributable to:			
– Owners of the Company		308,280	357,825
– Non-controlling interests		<u>25,863</u>	<u>19,135</u>
		<u>334,143</u>	<u>376,960</u>
Other comprehensive losses			
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		<u>(12,841)</u>	<u>(84)</u>
Other comprehensive loss for the period, net of tax		<u>(12,841)</u>	<u>(84)</u>
Total comprehensive income for the period		<u>321,302</u>	<u>376,876</u>
Total comprehensive income for the period attributable to:			
– Owners of the Company		295,439	357,741
– Non-controlling interests		<u>25,863</u>	<u>19,135</u>
		<u>321,302</u>	<u>376,876</u>
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
– Basic	13	31.78	36.59
– Diluted	13	<u>31.78</u>	<u>36.59</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, compound condiment, and convenient ready-to-eat food products in the People’s Republic of China (the “**PRC**”) and certain overseas countries and regions.

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

The interim condensed consolidated financial information was approved for issue by the Board of Directors of the Company on 27 August 2024.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”).

3. ACCOUNTING POLICIES

The accounting policies applied to the preparation of the interim condensed consolidated financial information are consistent with those applied in the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of amended standards as set out below:

Amended standards adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Impact of new or amended standards issued but not yet applied by the Group

Certain new or amended accounting standards have been published but are not mandatory for reporting period commencing 1 January 2024 and have not been early adopted by the Group. These new or amended accounting standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

	Amendments and interpretations	Effective date
Amendments to IAS 21	<i>Lack of Exchangeability</i>	1 January 2025
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
Amendments to IAS 28 and IFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

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, 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 Group’s total revenues for the six months ended 30 June 2024 and 2023. Accordingly, no geographical information is presented. As at 30 June 2024, the carrying amounts of the non-current assets (other than financial assets and deferred income tax assets) located in the PRC amounted to approximately RMB1,941,203,000 (31 December 2023: RMB1,890,154,000) and those as located in other countries and regions amounted to approximately RMB294,985,000 (31 December 2023: RMB276,868,000).

Breakdown of revenue by product categories is as follows:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
Revenue recognised at a point in time		
Hot pot condiment		
– Related parties	887,273	839,540
– Third parties	860,246	814,675
Subtotal	<u>1,747,519</u>	<u>1,654,215</u>
Compound condiment		
– Related parties	24,232	18,656
– Third parties	430,179	346,680
Subtotal	<u>454,411</u>	<u>365,336</u>
Convenient ready-to-eat food products		
– Related parties	77,567	28,970
– Third parties	622,907	544,060
Subtotal	<u>700,474</u>	<u>573,030</u>
Others		
– Related parties	–	173
– Third parties	24,521	23,472
Subtotal	<u>24,521</u>	<u>23,645</u>
Total	<u><u>2,926,925</u></u>	<u><u>2,616,226</u></u>

Revenue from sales attributable to related parties accounted for approximately 33.8% and 33.9% of the Group’s total revenue for the six months ended 30 June 2024 and 2023, respectively.

5. OTHER ASSETS

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Prepayments for property, plant and equipment	126,633	119,229
Value-added tax recoverable	38,861	41,279
Prepayments for marketing and consulting expenses	16,061	14,211
Prepayments for short-term leases of warehouses and staff quarters	1,734	1,218
Prepayments for purchase of raw materials	979	2,056
Others	5,441	3,594
	<u>189,709</u>	<u>181,587</u>
Less: non-current items	<u>(126,633)</u>	<u>(119,229)</u>
Other current assets	<u>63,076</u>	<u>62,358</u>

6. TRADE RECEIVABLES

	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
Trade receivables		
– Third parties	12,771	11,326
– Related parties	183,191	246,987
	<u>195,962</u>	<u>258,313</u>
Subtotal	195,962	258,313
Less: provision for impairment	<u>(188)</u>	<u>(188)</u>
Trade receivables – net	<u>195,774</u>	<u>258,125</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 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 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 3 months	<u>195,962</u>	<u>258,313</u>

No provision for the impairment allowance on trade receivables has been recognised during the six months ended 30 June 2024 and 2023.

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 2023, 30 June 2023, 1 January 2024 and 30 June 2024	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 2023	1,046,900,000	10,469	68
Repurchase and cancellation of ordinary shares (Note)	<u>(10,200,000)</u>	<u>(102)</u>	<u>(1)</u>
Ordinary shares of US\$0.00001 each on 30 June 2023, 31 December 2023 and 30 June 2024	<u>1,036,700,000</u>	<u>10,367</u>	<u>67</u>

Note:

During the six months ended 30 June 2023, the Company has repurchased a total of 10,200,000 of its own ordinary shares through the Stock Exchange at an aggregate consideration of approximately RMB175,757,000. As of 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 2024 RMB'000	Audited 31 December 2023 RMB'000
Within 3 months	267,581	395,481
3 to 6 months	12,353	6,863
6 months to 1 year	<u>1,100</u>	<u>444</u>
Total	<u>281,034</u>	<u>402,788</u>

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	
	2024	2023
	RMB'000	RMB'000
Changes in inventories of finished goods	18,601	76,524
Raw materials and consumables used	1,737,047	1,517,617
Employee benefit expenses	311,661	247,028
Transportation and related charges	101,238	77,406
Advertising and other marketing expenses	82,931	34,611
Depreciation of property, plant and equipment	79,805	70,891
Utilities	50,718	35,268
Warehouse expenses	27,149	22,224
Depreciation of right-of-use assets	16,648	19,360
Taxes and surcharges	19,979	18,634
Travel and entertainment expenses	23,798	20,648
Technical supporting fees, professional fees and other services fees	17,828	14,734
Maintenance costs	10,280	8,254
Expense relating to short-term leases not included in lease liabilities	5,524	4,357
Amortisation of intangible assets	3,631	3,256
Auditor's remuneration	993	993
Write off of obsolete inventories	1,512	2,289
Other expenses	32,542	24,137
	<u>2,541,885</u>	<u>2,198,231</u>
Total	<u>2,541,885</u>	<u>2,198,231</u>

10. OTHER INCOME AND GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Government grants (Note)	27,241	42,969
Change in fair value of financial assets at fair value through profit or loss	12,717	6,543
Net foreign exchange (losses)/gains	(17,976)	28,561
Sales of scrap materials	4,278	7,050
Losses on disposal of property, plant and equipment	(112)	(5,462)
Donation	(711)	–
Others	3,529	773
	<u>28,966</u>	<u>80,434</u>
Total	<u>28,966</u>	<u>80,434</u>

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	
	2024	2023
	RMB'000	RMB'000
Finance income		
– Interest income	47,997	30,840
Finance costs		
– Interest on lease liabilities	(2,442)	(2,343)
Finance income – net	<u>45,555</u>	<u>28,497</u>

12. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Current income tax expense	158,468	131,203
Deferred income tax (credit)/expense	(33,050)	18,763
Income tax expense	<u>125,418</u>	<u>149,966</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 2024 is approximately 27.3% (2023: 28.5%).

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the six months ended 30 June 2024 and 2023 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 Company's RSU Scheme during the Reporting Period.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to owners of the Company (RMB'000)	<u>308,280</u>	<u>357,825</u>
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	<u>970,132</u>	<u>977,942</u>
Basic earnings per share (RMB cents)	<u>31.78</u>	<u>36.59</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.

	Unaudited	
	Six months ended 30 June	
	2024	2023
Profit attributable to owners of the Company and profit used to determine diluted earnings per share (RMB'000)	308,280	357,825
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	970,132	977,942
Adjustment for		
– Restricted Shares (thousands)	33	–
Weighted average number of shares for diluted earnings per shares (thousands)	970,165	977,942
Diluted earnings per share (RMB cents)	<u>31.78</u>	<u>36.59</u>

For the six months ended 30 June 2024, 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. The Company's potentially dilutive ordinary shares comprised shares which may be vested under the Share Award Scheme of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the period) based on the monetary value of the subscription rights attached to the outstanding shares granted under the Share Award Scheme (defined as the "Restricted Shares"). The number of shares calculated as above is compared with the number of shares that would have been vested in respect of the Restricted Shares.

For the six months ended 30 June 2023, the Group did not have any dilutive potential shares.

14. DIVIDENDS

- (a) Dividends payable to owners of the Company attributable to the current financial period

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Interim dividend declared after the end of the interim period of RMB0.2825 per ordinary share, payable out of retained earnings of the Company	<u>292,868</u>	<u>–</u>

The interim dividend has not been recognised as a liability at the end of the Reporting Period.

- (b) Dividends paid to owners of the Company attributable to the previous financial year

	Unaudited	
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
Final dividend in respect of the year ended 31 December 2023, approved and paid during the Reporting Period, of RMB0.74 per ordinary share, paid out of retained earnings of the Company	<u>719,183</u>	<u>179,312</u>

During the six months ended 30 June 2024 and 2023, the amounts of dividends paid are net of the dividends of RMB49,446,000 and RMB12,322,000 attributable to the shares held for the RSU Scheme respectively.

2024 INTERIM PERFORMANCE REVIEW

In the first half of 2024, with the domestic economy maintaining overall stability, experiencing steady growth in residents' income, and the gradual effects of macroeconomic policies becoming evident, the national economy continued its positive trend of steady improvement. This provided a conducive environment for the ongoing recovery of consumer market demand and expenditure.

In the first half of 2024, the Group focused its core efforts on enhancing channel building, refining management practices, enhancing product research and development mechanisms, further expanding its presence in both business-end and overseas markets, promoting a multi-brand approach and optimizing its supply chain management processes simultaneously.

Regarding channel building, the Group has adopted a refined and standardized channel management strategy, conducted in-depth market research and focused on the healthy and benign development of sales channels, while actively attempting to pursue emerging channels in light of the diverse characteristics of the channels, in order to strengthen the expansion and extension of sales channels. Additionally, by optimizing the “partners” assessment system with an appraisal and incentive system focusing on “incremental growth”, the Group aimed to invigorate the sales team's enthusiasm and creativity. Furthermore, the Group consistently deepened the construction and innovation of the information system. By integrating intelligent recognition technologies, we are capable of gathering and analysing data on channel turnover, point of sale figures, distribution rates, and market dynamics. This measure not only enhanced our ability to monitor the sales trends but also enabled us to catch up changing market dynamics swiftly and adjust the tactics for the adaptations in a timely manner.

In terms of research and development of the products, the Group adhered to the approach of the “project-based products” system, guided by a “methodology” that combines long-term accumulation and continuous verification and observes shifts in consumer demands. Through multi-dimensional exploration and experimentation of upstream resources, manufacturing processes and etc., the Group continued to carry out diversified innovations in its product flavour and forms to meet consumer needs for extension for diversified usage scenarios and cost-effectiveness. At the same time, the Group further expands its business-end customers and overseas markets by segmenting customer needs, developing localized product matrix, optimizing product structure, and continuously meeting the diverse consumption demands of consumers across different regions and at various levels.

As to the brand strategy, the Group maintained its multi-brand strategy, adopting the brands “Magic Cook (筷手小厨)” and “Haidilao (海底捞)” based on precise positioning of product attributes to ensure that brand features and product strengths complement each other and create synergies. Through online and offline promotion for “Magic Cook” brand, including material displays, collaborative promotions, and consumer interactions, the Group raised brand vitality and consumer loyalty constantly, achieving its multi-brand strategic plan.

In the realm of supply chain management, the Group successfully launched the Bazhou Phase II project in Hebei Province in the first quarter of 2024, with a planned annual production capacity of 28,000 tonnes for convenient ready-to-eat food products. Additionally, the beef tallow production base (Phase I) of Yihai (Anhui) Food Technology Co. Ltd., a subsidiary of the Company, commenced operations in the second quarter of 2024, with a planned annual production capacity of 57,000 tonnes. The Group continuously adjusted and optimized the allocation of production capacity to adapt to changing market demands. Through technological innovations and manufacturing process advancement, coupled with stringent supply chain control system, the Group has continuously strengthened efficiency and flexibility of production process and further improved the product quality and productivity with the safety and stability of the product assured, enhancing the product competitiveness. At the same time, the Group is dedicated to enhancing intelligent production level and self-production ratio as well as actively developing the overseas supply chain system to fortify the global supply network stability.

BUSINESS REVIEW

For the six months ended 30 June 2024, the Group recorded the revenue of RMB2,926.9 million, representing a year-on-year increase of 11.9%, and a net profit of RMB334.1 million, representing a year-on-year decrease of 11.4%.

Sales Channels

The Group continued to provide cooking condiment solutions to family cooking customers, catering service providers and food industry companies and also remained as the supplier of condiment products to Haidilao International Holding Ltd. (together with its subsidiaries, collectively the “**Haidilao Group**”), Super Hi International Holding Ltd. (together with its subsidiaries, collectively the “**Super Hi Group**”), Shuhai (Beijing) Supply Chain Management Co., Ltd. (蜀海(北京)供应链管理有限责任公司) (together with its subsidiaries, collectively the “**Shuhai Supply Chain Group**”), each a related party of the Group, and their respective subsidiaries. At the same time, the Group also provided consumers with a variety of delicious food products. For the six months ended 30 June 2024, the major products of the Group included, among others, hot pot condiments, 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. For the six months ended 30 June 2024, the Group’s business of sales to third-party distributors covered a total of 34 provincial-level administrative regions in China as well as 49 overseas countries and regions.

In the first half of 2024, the Group continued to prioritize a refined and standardized channel management model as the core strategy for constructing and expanding third-party sales channels. By meticulously analysing and quantifying the distinctions among various channels and regions, tailored management models and personnel structures were applied to refine channel management. Simultaneously, the “partners” assessment system was further improved, with scientifically formulated process evaluation and performance indicators established to different stages of channel building. By replacing “responsible profit” with “incremental profit” as the primary assessment and incentive indicator, employees’ enthusiasm and initiative were maximized, leading to improved channel operational efficiency. The Group insisted on the construction of information systems and the development of data analysis platforms, with an emphasis on enhancing practicality and operability, and increasing the dimension of capturing dynamic data. This approach facilitated the efficient, automated, and intelligent functioning of sales channels, providing robust support and assurance for the development of channel building and strategic positioning. For the six months ended 30 June 2024, the sales revenue from third parties amounted to RMB1,937.9 million, representing a year-on-year increase of 12.1%.

Regarding e-commerce channels, the Group not only redefined the target customers and market position within the e-commerce sector but also achieved a high level of professionalism in e-commerce channel operations through a series of adjustments to online marketing strategies and optimizations in organizational structure. By simultaneously identifying distinctions in consumer profiles between online and offline platforms, the Group identified strong single products suitable for online platforms. Tailored marketing plans were developed for various holidays and promotional events. Through initiatives such as collaborative promotion with the “Maltese Puppy Life (線條小狗)” IP, the “Pig Stomach and Chicken Soup with Peppercorns at Daytime and Spicy and Sour Hot Pot at Night (早胡晚紅)” pop-up event, and interaction at music festivals, actively leveraging the synergy effects among products, channels, and marketing on online platforms. This approach increased consumer interactions, particularly inspiring young individuals to explore new choices within the realm of the “night economy”, consequently enhancing product and brand exposure continuously. As at 30 June 2024, the Group operated 9 flagship stores on e-commerce platforms such as Tmall.com, JD.com, and Pinduoduo.com. For the six months ended 30 June 2024, the sales revenue from e-commerce channels amounted to RMB175.3 million, representing a year-on-year increase of 12.4%.

For sales to related parties (i.e. sales to the Haidilao Group, the Super Hi Group and the Shuhai Supply Chain Group), with the ongoing recovery of the catering market, coupled with the refinement of business strategies by related parties through understanding consumer demands and innovating high-quality services to attract consumers, the Group witnessed an increase in the sales to related parties. For the six months ended 30 June 2024, the sales revenue from the Group’s related parties amounted to RMB989.1 million, representing a year-on-year increase of 11.5%.

Products

In the first half of 2024, the Group continued its dedication to a product research and development system that integrates management under the guidance of the innovation committee members and detailed execution by product team leaders, emphasizing a product research and development approach that bridges theoretical concepts with practical applications, exploring the diverse and personalized needs of consumers, and aims for innovation in both product taste and form. Through collaborations with local governments, traditional brewing techniques were harmonized with scientific production methods to further delve into unique local flavour preferences and their heritage evolution. Striving to offer consumers novel taste experiences, the Group consistently explored market requirements. The Group constantly expanded in business-end market, exchanged the real-time information of consumer-end taste, consumption trend and etc. with the business-end demand. Enriching its matrix of business-end products, meticulously analysing and constructing user profiles, and professionally coordinating across different channels, the Group continuously provided tailored cooking condiment solutions to diverse business-end clients. For overseas products, the Group diligently conducted in-depth research into the culinary cultures of target markets, making innovative product adjustments based on local taste trends and consumption habits to enhance product acceptance and expand its presence in overseas markets continually. Leveraging the Group's supply chain advantages and deep insights into taste preferences, the Group has continuously improved the recognition from overseas business-end clients and e-commerce customers on products.

Currently, hot pot condiments, compound condiments and convenient ready-to-eat food product series remain as the major products of the Group. For the six months ended 30 June 2024, the new products in each category amounted to more than 50 in total, including zero-additives series, instant meal options, crayfish seasonings and a variety of convenient ready-to-eat food with new flavours. At the same time, considering both the market feedbacks and sales situations, we discontinued the sales of certain products and consolidated certain product specifications. As at 30 June 2024, the Group had over 200 kinds of products (excluding business-end customized products) for sale.

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					
	2024			2023		
	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	860,246	32,863	26.2	814,675	28,438	28.6
Related parties	887,273	51,881	17.1	839,540	41,393	20.3
Subtotal	<u>1,747,519</u>	<u>84,744</u>	<u>20.6</u>	<u>1,654,215</u>	<u>69,831</u>	<u>23.7</u>
Compound condiments⁽²⁾						
Third parties	430,179	18,218	23.6	346,680	14,241	24.3
Related parties	24,232	1,396	17.4	18,656	792	23.6
Subtotal	<u>454,411</u>	<u>19,614</u>	<u>23.2</u>	<u>365,336</u>	<u>15,033</u>	<u>24.3</u>
Convenient ready-to-eat food products⁽³⁾						
Third parties	622,907	18,097	34.4	544,060	15,239	35.7
Related parties	77,567	4,754	16.3	28,970	1,091	26.6
Subtotal	<u>700,474</u>	<u>22,851</u>	<u>30.7</u>	<u>573,030</u>	<u>16,330</u>	<u>35.1</u>
Others⁽⁴⁾	<u>24,521</u>	<u>5,337</u>	<u>4.6</u>	<u>23,645</u>	<u>2,420</u>	<u>9.8</u>
Total	<u>2,926,925</u>	<u>132,546</u>	<u>22.1</u>	<u>2,616,226</u>	<u>103,614</u>	<u>25.2</u>

Notes:

- (1) Mainly including the Group's sales of hot pot soup flavourings and hot pot dipping sauce products
- (2) Mainly including the Group's sales of products such as Chinese-style and Western-style compound condiments, ready-to-eat sauce, chicken powder and spices
- (3) Mainly including the Group's sales of products such as self-serving products (e.g. self-serving small hot pots), instant vermicelli, instant meal, puffed food, etc.
- (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			
	2024		2023	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
Revenue from hot pot condiments	1,747,519	59.7%	1,654,215	63.2%
Revenue from compound condiments	454,411	15.5%	365,336	14.0%
Revenue from convenient ready-to-eat food products	700,474	23.9%	573,030	21.9%
Other revenue	24,521	0.9%	23,645	0.9%
Total revenue	<u>2,926,925</u>	<u>100%</u>	<u>2,616,226</u>	<u>100%</u>

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 11.9% from RMB2,616.2 million for the six months ended 30 June 2023 to RMB2,926.9 million for the corresponding period in 2024.

Revenue by product

	For the six months ended 30 June			
	2024		2023	
	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	860,246	49.2%	814,675	49.2%
Revenue from related parties	887,273	50.8%	839,540	50.8%
Total revenue from hot pot condiments products	<u>1,747,519</u>	<u>100%</u>	<u>1,654,215</u>	<u>100%</u>

Revenue from hot pot condiment products increased by 5.6% from RMB1,654.2 million for the six months ended 30 June 2023 to RMB1,747.5 million for the corresponding period in 2024, accounting for 59.7% of the revenue for the same period. Among this, revenue from sales of hot pot condiment products to related parties increased by 5.7% year-on-year, which was primarily due to an increase in demand attributable to the increase in customer traffic at the stores of related parties. Revenue from sales of hot pot condiment products to third parties increased by 5.6% year-on-year, which was mainly attributable to the increase in the number of newly launched hot pot dipping sauce products.

	For the six months ended 30 June 2024		2023	
	Revenue (RMB'000)	% of revenue from compound condiments	Revenue (RMB'000)	% of revenue from compound condiments
Revenue from compound condiments				
Revenue from third parties	430,179	94.7%	346,680	94.9%
Revenue from related parties	24,232	5.3%	18,656	5.1%
Total revenue from compound condiments	454,411	100%	365,336	100%

Revenue from compound condiments increased by 24.4% from RMB365.3 million for the six months ended 30 June 2023 to RMB454.4 million for the corresponding period of 2024, accounting for 15.5% of the revenue for the same period. Among this, the revenue from sales of compound condiments to related parties increased by 29.9%, mainly because new Maocai and spicy hot pot condiment products were launched; and the revenue from sales of compound condiments to third parties increased by 24.1%, mainly attributable to the launch of new crayfish seasoning products and the increase in customized condiment products for business-end customers.

	For the six months ended 30 June 2024		2023	
	Revenue (RMB'000)	% of revenue from convenient ready-to-eat food products	Revenue (RMB'000)	% of revenue from convenient ready-to-eat food products
Revenue from convenient ready-to-eat food products				
Revenue from third parties	622,907	88.9%	544,060	94.9%
Revenue from related parties	77,567	11.1%	28,970	5.1%
Total revenue from convenient ready-to-eat food products	700,474	100%	573,030	100%

The revenue from convenient ready-to-eat food products increased by 22.2% from RMB573.0 million for the six months ended 30 June 2023 to RMB700.5 million for the corresponding period of 2024, accounting for 23.9% of the revenue for the same period. Among this, the revenue from sales of convenient ready-to-eat food products to related parties increased by 167.7%, which was primarily due to the increase in sales volume of puffed food and braised food; and the revenue from sales of convenient ready-to-eat food products to third parties increased by 14.5%, which was mainly due to the upgrade of small hot pot products and the launch of new products.

Revenue by distribution network

	For the six months ended 30 June			
	2024		2023	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
Related party customers				
Haidilao Group, Super Hi Group and Shuhai Supply Chain Group	989,072	33.8%	887,339	33.9%
Third party customers				
Distributors	1,691,362	57.8%	1,536,599	58.7%
E-commerce	175,284	6.0%	155,883	6.0%
Others				
Catering and food product companies	67,086	2.3%	33,429	1.3%
Ad hoc sales event	4,121	0.1%	2,976	0.1%
Total revenue	<u>2,926,925</u>	<u>100%</u>	<u>2,616,226</u>	<u>100%</u>

In the first half of 2024, with the ongoing recovery of the catering market and the refinement of business strategies by related parties, sales to related parties of the Group saw an increase. Sales revenue from sales to related parties (mainly refers to the Haidilao Group, the Super Hi Group and the Shuhai Supply Chain Group) was RMB989.1 million for the six months ended 30 June 2024, representing a year-on-year increase of 11.5%.

For the six months ended 30 June 2024, the sales revenue from sales to distributors was RMB1,691.4 million, representing a year-on-year increase of 10.1%, mainly due to the strengthening of theme-based promotion activities and the promotion of new products; and the sales revenue from e-commerce channels was RMB175.3 million, representing a year-on-year increase of 12.4%, mainly because we enhanced the effort in online live streaming and product promotion.

Revenue by geographic region

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

	For the six months ended 30 June			
	2024		2023	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
Northern China ⁽⁵⁾	1,233,406	42.1%	1,137,334	43.5%
Southern China ⁽⁶⁾	1,495,767	51.1%	1,314,345	50.2%
Other markets	197,752	6.8%	164,547	6.3%
Total Revenue	2,926,925	100%	2,616,226	100%

Notes:

- (5) Including Heilongjiang, Jilin, Liaoning, Nei Mongol, Beijing, Tianjin, Hebei, Shandong, Shanxi, Henan, Ningxia, Shaanxi, Gansu, Qinghai, Xinjiang and Xizang
- (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., increased by 12.8% from RMB1,817.6 million for the six months ended 30 June 2023 to RMB2,049.4 million for the corresponding period of 2024. The increase in cost of sales was mainly attributable to the increase in sales volume.

Gross Profit and Gross Profit Margin

	For the six months ended 30 June			
	2024		2023	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Hot pot condiments	546,676	31.3%	544,563	32.9%
Third parties	416,171	48.4%	391,171	48.0%
Related parties	130,505	14.7%	153,392	18.3%
Compound condiments	157,545	34.7%	120,455	33.0%
Third parties	153,046	35.6%	117,721	34.0%
Related parties	4,499	18.6%	2,734	14.7%
Convenient ready-to-eat food products	172,947	24.7%	133,212	23.2%
Third parties	161,463	25.9%	126,366	23.2%
Related parties	11,484	14.8%	6,846	23.6%
Others	340	1.4%	358	1.5%
Total	877,508	30.0%	798,588	30.5%

The Group's gross profit increased by 9.9% from RMB798.6 million for the six months ended 30 June 2023 to RMB877.5 million for the corresponding period in 2024, and the gross profit margin decreased from 30.5% for the six months ended 30 June 2023 to 30.0% for the corresponding period in 2024. The decrease in gross profit margin was mainly due to price adjustment of hot pot condiments sold to related parties in accordance with the market conditions.

Distribution Expenses

The Group's distribution expenses increased by 46.9% from RMB239.8 million for the six months ended 30 June 2023 to RMB352.3 million for the corresponding period in 2024. The Group's distribution expenses as a percentage of the Group's revenue increased from 9.2% for the six months ended 30 June 2023 to 12.0% for the corresponding period in 2024. The increase in distribution expenses was mainly attributable to the increase in online marketing expenses and transportation expenses.

Administrative Expenses

The Group's administrative expenses decreased by 0.4% from RMB140.8 million for the six months ended 30 June 2023 to RMB140.2 million for the corresponding period in 2024. The Group's administrative expenses as a percentage of the Group's revenue decreased from 5.4% for the six months ended 30 June 2023 to 4.8% for the corresponding period in 2024.

Other Income and Gains – Net

The Group's net amount of other income and gains decreased by 63.9% from RMB80.4 million for the six months ended 30 June 2023 to RMB29.0 million for the corresponding period in 2024, which was primarily due to the increase in net foreign exchange losses and the decrease in government grants.

Finance Income – Net

The Group's net amount of finance income increased by 60.0% from RMB28.5 million for the six months ended 30 June 2023 to RMB45.6 million for the corresponding period in 2024, which was mainly attributable to the increase in interest income as a result of the increase in the average deposit balance by the Group and the increase in deposit interest rate.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax decreased by 12.8% from RMB526.9 million for the six months ended 30 June 2023 to RMB459.6 million for the corresponding period in 2024, which was primarily due to the increase in distribution expenses.

Income Tax Expenses

The Group's income tax expenses decreased by 16.4% from RMB150.0 million for the six months ended 30 June 2023 to RMB125.4 million for the corresponding period in 2024. The effective tax rate decreased from 28.5% for the six months ended 30 June 2023 to 27.3% for the corresponding period in 2024.

Net Profit for the Period

As a result of the foregoing, the Group's net profit decreased by 11.4% from RMB377.0 million for the six months ended 30 June 2023 to RMB334.1 million for the corresponding period in 2024. Basic earnings per share decreased from RMB36.59 cents for the six months ended 30 June 2023 to RMB31.78 cents for the corresponding period in 2024 and net profit margin decreased from 14.4% for the six months ended 30 June 2023 to 11.4% for the corresponding period of 2024, which were attributable to the increase in distribution expenses and the decrease in other income and gains, resulting in the decrease in net profit.

Capital Liquidity and Financial Resources

For the six months ended 30 June 2024, 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 2024, the Group's cash and cash equivalents were mainly consisted of Renminbi and US dollars. Cash and cash equivalents amounted to approximately RMB1,864.6 million (31 December 2023: RMB2,309.4 million).

Asset-Liability Ratio

As at 30 June 2024, the Group's asset-liability ratio⁽⁷⁾ was 13.4% (31 December 2023: 15.9%). The Group did not have any bank borrowings.

Note:

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

Inventories

Inventories mainly include raw materials, work-in-progress and finished goods. As at 30 June 2024, inventories amounted to approximately RMB342.2 million (31 December 2023: RMB370.5 million), and the turnover days of inventories decreased from 32.9 days for the year ended 31 December 2023 to 31.3 days for the six months ended 30 June 2024. 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 2024, the trade receivables amounted to approximately RMB195.8 million (31 December 2023: RMB258.1 million). The change was mainly attributable to the seasonal variation in trade receivables from related parties. The turnover days of trade receivables increased from 12.3 days for the year ended 31 December 2023 to 14.0 days for the six months ended 30 June 2024.

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 RMB281.0 million as at 30 June 2024 (31 December 2023: RMB402.8 million). The turnover days of trade payables decreased from 34.7 days for the year ended 31 December 2023 to 30.0 days for the six months ended 30 June 2024.

Contingent Liabilities

As at 30 June 2024, the Company did not have any material contingent liabilities.

Charge of Assets

As at 30 June 2024, the Company did not charge any fixed assets as securities for borrowings.

Borrowings

As at 30 June 2024, the Company did not have any bank borrowings.

Debt-to-Equity Ratio

As at 30 June 2024, the debt-to-equity ratio⁽⁸⁾ of the Company was 2.5%.

Note:

- (8) Debt-to-equity ratio is calculated by dividing total debt by total equity. Total debt is defined as interest-bearing liabilities (including lease liabilities)

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 and bank balances denominated in US dollars and other foreign currencies, 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 2024, the Group had a total of 3,070 employees (including temporary workers), comprising 2,310 employees in production, 610 employees in marketing and 150 employees in administration and management related functions.

For the six months ended 30 June 2024, the Group's total staff costs amounted to RMB311.7 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 2024, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PROSPECTS

Industry and Business Outlook

In the second half of 2024, with the continued influence of macro policies and the gradual implementation of strategies to boost domestic consumption, it is anticipated that the market's consumption potential will continue to expand and the national economy will recover and improve.

In the second half of 2024, the Group will maintain its strategic focus on research and development of the products, overseas expansion, brand promotion, and channel construction.

In terms of product research and development, the Group will adhere to a “project-based products” approach led by the “innovation committee members” and further refine its product research and development “methodology” to establish key milestones and identify critical stages in the research and development process. The Group will also enhance the selection criteria for product launches, consistently seek new opportunities for product innovation and expand the product categories. By improving the product research and development capabilities and market insights, while closely monitoring changes in consumer demand trends, the Group aims to continuously enhance and upgrade its existing products. The Group will introduce new products aligned with current consumption trends to boost the overall competitiveness of its products and cater to the diverse tastes and usage scenarios of consumers. Furthermore, the Group will continue its expansion into the business-end market. Supported by a dedicated and innovative product research and development team and professional channels, and equipped with the ability to integrate the varied taste preferences from consumer-end market and leverage the production technology within the Group's supply chain, the Group will enrich its product matrix and expand the market reach of its business-end products to build trust and satisfaction among business-end customers.

Regarding overseas business, the Group will continue to explore the culinary cultures and customs of foreign markets, stay informed about local taste preferences and consumption trends and identify similarities and differences between its current products and local preferences so as to provide a broader horizon and inspiration for product research and development. By consistently enriching the product types and introducing unique flavours, while enhancing the recognition among its existing overseas clientele, the Group will seek to establish a presence in the “Halal” and the Middle East markets, thereby improving its coverage of overseas customers regions. At the same time, the Group will continue to expand the customer-end overseas core mainstream supermarkets and gradually bolster its market share in overseas e-commerce and business-end markets, consequently increasing overall sales revenue from overseas markets. With the completion of the construction of the supply centre in Southeast Asia, the production capacity of the Thai factory will be gradually utilized, support resources will be optimized, and the overseas supply chain system will be further enhanced which enable the Group to streamline its overseas resources, optimize the allocation, enhance the efficiency of overseas supply chain, and extend its coverage in overseas markets.

In terms of brand strategy, the Group will continue to implement the multi-brand strategy. Through social media, brand campaigns, and other multi-channel innovative marketing strategies, the Group aims to establish connections with consumers and enhance interaction and communication with consumers. It will further introduce data analysis system to evaluate and refine the effectiveness of brand communication for ensuring the effectiveness and targeting of marketing activities so as to continuously improve consumer awareness and experience of brands such as “Haidilao” and “Magic Cook”.

In terms of channel building, the Group will adhere to the refined and standardized management to regulate operational processes conforming to characteristics of various regional markets and enhance distributor management to improve cooperation efficiency. The Group is dedicated to exploring diverse sales points and channel activities to cater to varying consumer demands. We always recognize the importance of employee expertise and growth in business advancement and will continuously refine the talent selection and training mechanism, and improve the incentive policies to foster employee enthusiasm and sense of belonging.

Regarding e-commerce aspect, the Group will persist in improving the operation and management of online platforms, strengthening standardization and cooperativity between distribution stores and flagship stores, and fostering satisfaction level and loyalty through interaction and communication between online distributors and consumers. Furthermore, the Group will delve deeper and leverage the influence of e-commerce channels on forecasting and leading market trend, providing the Group with market insights to support the Group’s strategic decisions.

Material Investments and Prospects

During the Reporting Period, the Group did not hold any material investments.

Future Plans for Material Investments

The Group will continue to look for potential strategic investment opportunities extensively, aiming at high-profile targets that can bring synergies to the Group in the aspects of product research and development, product portfolio, channel expansion and cost control and other.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of RMB0.2825 per share to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 16 September 2024, in an aggregate of approximately RMB292,867,750. The interim 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 Tuesday, 27 August 2024. Accordingly, the interim dividend to be paid is HK\$0.3088 per share. The interim dividend is expected to be paid on or before Friday, 27 September 2024.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 11 September 2024 to Monday, 16 September 2024, both days inclusive, during which period no transfer of shares can be registered, in order to determine the entitlement of the shareholders of the Company to the interim dividend. In order to qualify for the interim dividend, all completed transfer documents accompanied by the relevant share certificates 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, Wan Chai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 10 September 2024.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares, if any) during the six months ended 30 June 2024.

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 C3 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). 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 2024.

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 2024.

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 C1 to the Listing Rules. During the six months ended 30 June 2024, 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 Ms. Cui Jin (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 interim condensed consolidated financial results of the Group for the six months ended 30 June 2024. The Audit Committee considers that the interim financial results for the six months ended 30 June 2024 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 condensed consolidated financial information for the six months ended 30 June 2024 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 condensed consolidated 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 D2 to the Listing Rules will be despatched (if so requested by Shareholders) 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, 27 August 2024

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 Ms. Cui Jin, Mr. Qian Mingxing and Ms. Ye Shujun.