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YIHAI INTERNATIONAL HOLDING LTD.

頤海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1579)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yihai International Holding Ltd. (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with comparative figures for the same period of 2022.

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB6,147.6 million in 2023, which remained stable as RMB6,147.0 million in 2022.
- Gross profit was RMB1,941.3 million in 2023, a 4.7% increase from RMB1,853.9 million in 2022.
- Net profit was RMB907.0 million in 2023, a 11.2% increase from RMB816.0 million in 2022.
- Net profit attributable to owners of the Company was RMB852.7 million in 2023, a 14.9% increase from RMB742.0 million in 2022.
- Earnings per share (both basic and diluted) in 2023 were RMB0.875.

Consolidated Balance Sheet

		As at 31 December	
	Note	2023	2022
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,808,895	1,668,759
Right-of-use assets		226,914	239,270
Intangible assets		11,984	16,883
Deferred income tax assets		65,766	57,717
Financial assets at fair value through profit or loss		197,052	135,687
Term deposits with initial term over one year		437,172	200,000
Other non-current assets	4	119,229	121,492
Total non-current assets		2,867,012	2,439,808
Current assets			
Inventories		370,532	387,484
Other current assets	4	62,358	54,224
Trade receivables	5	258,125	155,627
Other financial assets at amortised cost		19,509	17,383
Term deposits with initial term over three months and within one year		162,533	611,236
Restricted cash		5,011	5,000
Cash and cash equivalents		2,309,358	1,880,531
Total current assets		3,187,426	3,111,485
Total assets		6,054,438	5,551,293
Equity			
Equity attributable to owners of the Company			
Share capital	6	67	68
Shares held for restricted share unit scheme		(4)	(4)
Other reserves		317,749	382,959
Retained earnings		4,500,117	3,936,849
Capital and reserves attributable to owners of the Company		4,817,929	4,319,872
Non-controlling interests		271,481	217,149
Total equity		5,089,410	4,537,021

Consolidated Balance Sheet (continued)

	Note	As at 31 December	
		2023	2022
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		54,267	75,730
Deferred income tax liabilities		60,242	53,412
Other non-current liabilities		33,808	25,297
		<u>148,317</u>	<u>154,439</u>
Total non-current liabilities		<u>148,317</u>	<u>154,439</u>
Current liabilities			
Trade payables	7	402,788	396,254
Contract liabilities		77,351	102,785
Lease liabilities		31,993	38,577
Other payables and accruals		187,020	203,915
Current income tax liabilities		117,559	118,302
		<u>816,711</u>	<u>859,833</u>
Total current liabilities		<u>816,711</u>	<u>859,833</u>
Total liabilities		<u>965,028</u>	<u>1,014,272</u>
Total equity and liabilities		<u>6,054,438</u>	<u>5,551,293</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December	
		2023 RMB'000	2022 RMB'000
Revenue	3	6,147,573	6,147,011
Cost of sales	8	<u>(4,206,269)</u>	<u>(4,293,129)</u>
Gross profit		1,941,304	1,853,882
Distribution expenses	8	(589,394)	(646,588)
Administrative expenses	8	(275,464)	(227,796)
Other income and gains – net	9	<u>118,375</u>	<u>138,214</u>
Operating profit		<u>1,194,821</u>	<u>1,117,712</u>
Finance income	10	73,637	30,291
Finance costs	10	<u>(4,341)</u>	<u>(5,856)</u>
Finance income – net	10	<u>69,296</u>	<u>24,435</u>
Profit before income tax		1,264,117	1,142,147
Income tax expense	11	<u>(357,089)</u>	<u>(326,161)</u>
Profit for the year		<u><u>907,028</u></u>	<u><u>815,986</u></u>
Profit attributable to:			
– Owners of the Company		852,696	741,987
– Non-controlling interests		<u>54,332</u>	<u>73,999</u>
		<u><u>907,028</u></u>	<u><u>815,986</u></u>

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

	Note	Year ended 31 December	
		2023	2022
		RMB'000	RMB'000
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		271	(3,138)
		<u>271</u>	<u>(3,138)</u>
Other comprehensive income/(loss)			
for the year, net of tax			
		271	(3,138)
		<u>271</u>	<u>(3,138)</u>
Total comprehensive income		907,299	812,848
		<u>907,299</u>	<u>812,848</u>
Total comprehensive income attributable to:			
– Owners of the Company		852,967	738,849
– Non-controlling interests		54,332	73,999
		<u>54,332</u>	<u>73,999</u>
		907,299	812,848
		<u>907,299</u>	<u>812,848</u>
Earnings per share attributable to			
owners of the Company			
<i>(expressed in RMB cents per share)</i>			
– Basic	12	87.5	75.7
– Diluted	12	87.5	75.7
		<u>87.5</u>	<u>75.7</u>
		<u>87.5</u>	<u>75.7</u>

1. GENERAL INFORMATION

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

These consolidated financial statements have been approved for issue by the Board of Directors of the Company (the “Board of Directors”) on 26 March 2024.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with IFRS Accounting Standards and HKCO*

The consolidated financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) Cap. 622. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards (“IFRS”)
- IAS Standards (“IAS”)
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

(ii) *Historical cost convention*

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

(iii) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The new and amended standards 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.

(iv) New amendments to standards not yet adopted

Certain amendments to accounting standards have been published but are not mandatory for 31 December 2023 reporting period and have not been early adopted by the Group. These amendments 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 1	<i>Classification of Liabilities as Current or Non-current</i>	<i>1 January 2024</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>	<i>1 January 2024</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	<i>1 January 2024</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier finance arrangements</i>	<i>1 January 2024</i>
Amendments to IAS 21	<i>Lack of Exchangeability</i>	<i>1 January 2025</i>
Amendments to IAS 28 and IFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<i>To be determined</i>

3. REVENUE AND SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed by the chief operating decision makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales of hot pot condiment, Chinese-style compound condiment, convenient ready-to-eat food products and others to third party and related party customers, which are considered by the CODM as one segment. The Group’s principal market is the PRC and its sales to overseas customers contributed to less than 10% of the total revenues for the year ended 31 December 2023. Accordingly, no geographical information is presented. As at 31 December 2023, the total non-current assets (other than financial assets and deferred income tax assets) located in the PRC amounted to RMB1,890,154,000 (2022: RMB1,771,896,000) and those located in other countries and regions amounted to RMB276,868,000 (2022: RMB274,508,000).

Breakdown of revenue by product categories is as follows:

	Year ended 31 December	
	2023 RMB'000	2022 RMB'000
Revenue		
Hot pot condiment		
– Related parties	1,899,247	1,400,798
– Third parties	2,192,419	2,263,898
Subtotal	4,091,666	3,664,696
Chinese-style compound condiment		
– Related parties	28,806	10,414
– Third parties	592,591	558,449
Subtotal	621,397	568,863
Convenient ready-to-eat food products		
– Related parties	82,714	78,430
– Third parties	1,304,408	1,791,639
Subtotal	1,387,122	1,870,069
Others		
– Related parties	–	9
– Third parties	47,388	43,374
Subtotal	47,388	43,383
Total	6,147,573	6,147,011

Revenue from sales attributable to related parties accounted for approximately 32.7% and 24.2% of the Group’s total revenue for the years ended 31 December 2023 and 2022, respectively.

4. OTHER ASSETS

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Prepayments for property, plant and equipment	119,229	121,492
Value-added tax recoverable	41,279	26,660
Prepayments for marketing and consulting expenses	14,211	12,861
Prepayments for purchase of raw materials	2,056	7,383
Prepayments for short-term leases of warehouses and staff quarters	1,218	1,215
Others	3,594	6,105
	<u>181,587</u>	<u>175,716</u>
Less: non – current items	(119,229)	(121,492)
	<u>62,358</u>	<u>54,224</u>

5. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Trade receivables		
Third parties	11,326	6,163
Related parties	246,987	149,652
	<u>258,313</u>	<u>155,815</u>
Subtotal	258,313	155,815
Less: provision for impairment	(188)	(188)
	<u>258,125</u>	<u>155,627</u>

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

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Within 3 months	258,313	155,815
More than 3 months	–	–
	<u>258,313</u>	<u>155,815</u>

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

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

6. SHARE CAPITAL

	Number of shares	Amount US\$'000
Authorised:		
Ordinary shares of US\$0.00001 each		
On 1 January 2022, 31 December 2022 and 2023	5,000,000,000	50

Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
Ordinary shares of US\$0.00001 each on 1 January 2022, 31 December 2022	1,046,900,000	10,469	68
Repurchase and cancellation of ordinary shares	(10,200,000)	(102)	(1)
Ordinary shares of US\$0.00001 each on 31 December 2023	1,036,700,000	10,367	67

Note:

During the year ended 31 December 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. All the repurchased shares were cancelled as of 31 December 2023. As a result of the above repurchase and cancellation of shares, the Company's share capital, share premium and retained earnings have been decreased by US\$102 (equivalent to approximately RMB1,000), RMB73,590,000 and RMB102,166,000, respectively.

7. TRADE PAYABLES

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

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

	As at 31 December	
	2023 RMB'000	2022 RMB'000
Within 3 months	395,481	394,221
3 to 6 months	6,863	1,599
6 months to 1 year	444	434
Total	402,788	396,254

8. EXPENSES BY NATURE

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

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Changes in inventories of finished goods	(5,495)	(6,409)
Raw materials and consumables used	3,664,956	3,801,383
Employee benefit expenses	581,512	545,352
Transportation and related charges	183,672	211,013
Depreciation of property, plant and equipment	146,018	118,073
Advertising and other marketing expenses	97,259	135,783
Utilities	86,984	71,424
Warehouse expenses	49,405	54,636
Taxes and surcharges	47,487	40,786
Travel and entertainment expenses	46,576	29,464
Depreciation of right-of-use assets	36,188	40,777
Technical supporting fees, professional fees and other services fees	34,823	24,350
Maintenance costs	18,040	14,953
Expense relating to short-term leases	9,612	13,735
Amortisation of intangible assets	6,510	6,735
Auditor's remuneration	3,430	3,330
Write-off of obsolete inventories	2,474	2,533
Provision for/(reversal of) impairment on financial assets	22	(25)
Other expenses	61,654	59,620
Total	5,071,127	5,167,513

9. OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Government grants	88,929	83,704
Net foreign exchange gains	18,872	36,462
Change in fair value of financial assets at fair value through profit or loss	8,026	9,794
Sales of scrap materials	9,473	9,896
Losses on disposal of property, plant and equipment	(5,260)	(6,679)
Gains/(losses) on disposal of right-of-use assets	514	(506)
Losses on disposal of intangible asset	–	(100)
Donation	(878)	(532)
Others	(1,301)	6,175
Total	118,375	138,214

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

10. FINANCE INCOME – NET

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Finance income		
– Interest income	73,637	30,291
Finance costs		
– Interest on lease liabilities	(4,341)	(5,856)
Finance income - net	<u>69,296</u>	<u>24,435</u>

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Current income tax	358,308	321,366
Deferred income tax (credit)/expense	(1,219)	4,795
Income tax expense	<u>357,089</u>	<u>326,161</u>

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of a qualifying group entity subject to Hong Kong profits tax will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of other group entities subject to Hong Kong profits tax not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate 16.5%.

(c) Overseas income tax

The Company's subsidiaries incorporated overseas (primarily in Singapore, Thailand and Malaysia) are subject to overseas profits tax at 0% to 30% on estimated assessable profit for the year ended 31 December 2023 (2022: 0% to 30%).

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

The income tax provision of the Group in respect of operations in mainland China has been calculated at the tax rate of 25% on the estimated assessable profits for the years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

(e) Mainland China withholding tax (“WHT”)

According to the applicable mainland China tax regulations, dividends distributed by a company established in mainland China to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to WHT at the rate of 10%. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between mainland China and Hong Kong, the relevant withholding tax rate will be 5%.

(f) OECD Pillar Two model rules

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in certain jurisdictions in which some of the Group’s overseas subsidiaries are incorporated, and will come into effect from 1 January 2024 or 1 January 2025. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023. As and when any top-up tax is incurred, this will be accounted for as a current tax for the period to which it relates.

Under the legislation, the Group is liable to pay a top-up tax (if any) for the difference between the Global Anti-Base Erosion Proposal (‘GloBE’) effective tax rate for each jurisdiction which the group entities operate and the 15% minimum rate. The Group is currently in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. Therefore, even for those entities with an accounting effective tax rate above 15%, there may still be Pillar Two tax implications.

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the years ended 31 December 2023 and 2022 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue less shares held for restricted share unit scheme during the year.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company (RMB’000)	852,696	741,987
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	974,005	980,332
Basic earnings per share (RMB cents)	<u>87.5</u>	<u>75.7</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.

	Year ended 31 December	
	2023	2022
Profit attributable to owners of the Company and profit used to determine diluted earnings per share (RMB'000)	852,696	741,987
Weighted average number of ordinary shares in issue less shares held for RSU Scheme (thousands)	974,005	980,332
Adjustment for – Restricted Shares (thousands)	—*	—
Weighted average number of shares for diluted earnings per shares (thousands)	974,005	980,332
Diluted earnings per share (RMB cents)	<u>87.5</u>	<u>75.7</u>

* The amount of adjustment to the denominator for the calculation of diluted earnings per share in respect of the Company's restricted shares is 257 shares.

For the year ended 31 December 2023 and 2022, 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. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) 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 issued assuming the exercise of the Restricted Shares.

13. DIVIDENDS

(i) Ordinary shares

The total dividends paid in 2023 amounted to RMB179,312,000 or RMB17.72 cents per share (2022: RMB224,563,000 or RMB21.9563 cents per share) (which are net of the dividend of RMB12,324,000 (2022: RMB15,374,000) attributable to the shares held for the RSU Scheme).

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

Pursuant to resolution passed on 26 March 2024, the Board of Directors of the Company proposed a final dividend of RMB0.74 per ordinary share, amounting to RMB767,158,000, for the year ended 31 December 2023 to be distributed from the Company's retained earnings. The final dividend is to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 23 May 2024. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from retained earnings for the year ending 31 December 2024.

2023 PERFORMANCE REVIEW

In 2023, the economic and social environment fully recovered to normal operation. Although the consumer market was under pressure, there were still bright spots. Residents' consumption demand, while maintaining rational, leaned towards quality upgrades.

During the past year, the Group focused its main business on enhancing channel expansion, building and refining management, improving product research and development mechanism and gradually expanding to-business and overseas markets, implementing multi-brand strategy, while at the same time optimizing its own production and supply capacity.

With respect to channel building, the Group preserved the refined and standardized channel management. The management standard was formulated to conform to the characteristics of each channel according to the disparities across different regions, channels and product distribution in order to further achieve efficient channel management. The Group insisted on optimizing the partner assessment system, and constantly improved the management system and personnel incentive system, with a view to further enhancing the execution and sales motivation of sales system personnel. The Group strengthened the construction of informatization-based management and intelligent identification systems to continuously facilitate the effective management and dynamic data capture of terminal point of sales.

In terms of product research and development, the Group adhered to the approach of the “project-based products” system, and through the long-term accumulation and continuous verification of “methodology” in combination with practice, it valued consumers' demand for extension of usage scenarios and cost-effectiveness while pursuing the innovation of product flavors and forms. The research and development team further conducted in-depth research on categories and industries with a long-term planning commitment, and strengthened product launch standards, with a view to improving the success rate of product launches. At the same time, the Group gradually expanded its to-business customers and overseas markets to further expand the business boundaries and enrich its product matrix to meet the consumers' multi-level and diversified consumption demand.

The Group kept implementing the multi-brand strategy. Under the existing brand matrix, the Group adopted “Magic Cook (筷手小厨)” and “Haidilao (海底捞)” brands based on product attributes. With an emphasis on the combination of brands and products, we carried out online and offline communication platform for “Magic Cook” brand through display of materials, crossover publicity and branded peripheral product extension, and further enhanced consumers' brand awareness through promotion and marketing, such as interaction 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, improve self-production ratio and overseas supply capacity and strengthen the control over stability and safety. At the same time, the level of intelligent production in the factory will continue to be improved, product quality and craftsmanship will be optimized, and the production lines will be expanded in accordance with the market and self-development needs, in order to further improve the overall efficiency of the supply chain.

BUSINESS REVIEW

For the year ended 31 December 2023, the Group recorded a revenue of RMB6,147.6 million, which remained stable as the year ended 31 December 2022, and a net profit of RMB907.0 million, representing a year-on-year increase of 11.2%.

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, the “**Haidilao Group**”), Super Hi International Holding Ltd. (together with its subsidiaries, the “**Super Hi Group**”), and Shuhai (Beijing) Supply Chain Management Co., Ltd. (蜀海(北京)供應鏈管理有限責任公司) (together with its subsidiaries, the “**Shuhai Supply Chain Group**”) and their respective subsidiaries, each a related party of the Group. At the same time, the Group also provided consumers with a variety of delicious food products. As of 31 December 2023, the major products of the Group included, among others, 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 business of sales to third-party distributors covered a total of 34 provincial and administrative regions in China as well as other 49 countries and regions overseas.

In 2023, the Group continued to focus on the healthy and positive development of sales channels, and still emphasized the building and expansion of third-party sales channels as its major sales strategy. Delicacy management was implemented and the circulation channels and Key Account (KA) channels were further divided according to the disparities across different channels and regions, with corresponding management model and personnel allocation. The Group adhered to the assessment mechanism of “partners” system through the combination of both process and performance achievement evaluation and incentivized employees’ subjective initiative in order to improve the flexibility of channel operation. The Group continued to improve the informatization-based management system, strengthened its practicality and operability, increased data capture dimensions to achieve precise and efficient data feedback and channel communication, so as to improve the overall operational efficiency. At the same time, the Group further explored the downward-reaching market, by expanding product price band and the target audience and increasing products launch at the sales point, thereby continuously improving the channel coverage of the relevant market, and the overall satisfaction of the channels.

In respect of e-commerce channels, in 2023, the Group re-defined its position in the e-commerce market, optimized the organizational structure of the e-commerce segment, and continuously improved the standardization and synergy of the operation of online distribution stores and flagship stores through the marketing integration of online platforms and product characteristics. Based on the different characteristics between online and offline consumer profiles, the Group developed an independent operation model that adapted to online platforms, and exerted the media attributes of online platforms and the synergy effect of products, channels and marketing. The Group formulated targeted marketing plans for different holidays and promotional campaigns, in order to stimulate online traffic and create competitive product items. For the year ended 31 December 2023, the Group had 9 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 Group and the Shuhai Supply Chain Group), with the continuous recovery of economic and social environment, market vitality gradually recovered with more active offline consumption scenarios, which drove rapid recovery in catering market. For the year ended 31 December 2023, the sales revenue from the Group's related parties was RMB2,010.8 million, representing a year-on-year increase of 35.0%.

Products

In 2023, the Group adhered to the implementation of a product research and development system that combines integrated planning led by an innovation committee with detailed research and implementation by product team leaders. By bridging theories and practices, the Group implemented key milestones of research and development, further improved the “methodology” of product research and development, strengthened product launch standards, and constantly sought new opportunities for product innovation and category expansion. In line with the changes in market demand, the Group has continued to explore products that meet the needs of customers and market, continuously enriched the product matrix, optimized the product structure, and focused on long-term product category planning. Meanwhile, the Group strived to expand the to-business market and provided differentiated products and services for different customer groups through segmentation of customer profiles to meet the diversified product needs of the to-business market. For overseas products, the Group adjusted the taste, packaging design, packaging specifications and promotional language for existing overseas products with reference to the unique local ethnic flavors and exotic culture, and explored the continuous integration of local food culture and products, so as to improve the acceptance in the overseas market. At the same time, an overseas product research and development team was established to explore local food culture and habits on a horizontal comparison basis, in order to enrich product pipeline, and seek novel experiences for taste buds.

At the same time, the Group launched various kinds of new products such as zero-additive condiment series, home-cooked series and a variety of convenient ready-to-eat food products, to meet consumers' diversified needs for usage scenarios and cost-effectiveness, and to complement marketing methods such as holiday themes, online communication and promotional activities for product promotion.

In 2023, the Group newly launched a total of 24 hot pot condiment products, 37 Chinese-style compound condiment products, and 40 convenient ready-to-eat food products, and at the same time, taking into account the market feedback and dynamic sales of the products, it ceased to sell certain products and consolidated certain product specifications. As at 31 December 2023, the Group had a total of 62 hot pot condiment products, 68 Chinese style compound condiment products, and 72 convenient ready-to-eat food products on 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 year ended 31 December					
	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	2,192,419	77,449	28.3	2,263,898	77,625	29.2
Related parties	1,899,247	98,585	19.3	1,400,798	70,423	19.9
Subtotal	<u>4,091,666</u>	<u>176,034</u>	<u>23.2</u>	<u>3,664,696</u>	<u>148,048</u>	<u>24.8</u>
Chinese-style compound condiments⁽²⁾						
Third parties	592,591	24,398	24.3	558,449	21,878	25.5
Related parties	28,806	1,280	22.5	10,414	401	26
Subtotal	<u>621,397</u>	<u>25,678</u>	<u>24.2</u>	<u>568,863</u>	<u>22,279</u>	<u>25.5</u>
Convenient ready-to-eat food products⁽³⁾						
Third parties	1,304,408	37,682	34.6	1,791,639	45,752	39.2
Related parties	82,714	3,450	24.0	78,430	1,938	40.5
Subtotal	<u>1,387,122</u>	<u>41,132</u>	<u>33.7</u>	<u>1,870,069</u>	<u>47,690</u>	<u>39.2</u>
Others⁽⁴⁾	<u>47,388</u>	<u>12,018</u>	<u>3.9</u>	<u>43,383</u>	<u>12,930</u>	<u>3.4</u>
Total	<u>6,147,573</u>	<u>254,862</u>	<u>24.1</u>	<u>6,147,011</u>	<u>230,947</u>	<u>26.6</u>

Notes:

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

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

	For the year ended 31 December			
	2023		2022	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue
Revenue from hot pot condiments	4,091,666	66.5%	3,664,696	59.6%
Revenue from Chinese-style compound condiments	621,397	10.1%	568,863	9.3%
Revenue from convenient ready-to-eat food products	1,387,122	22.6%	1,870,069	30.4%
Other revenue	47,388	0.8%	43,383	0.7%
Total revenue	<u>6,147,573</u>	<u>100%</u>	<u>6,147,011</u>	<u>100%</u>

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2023, the Group recorded a revenue of RMB6,147.6 million, which remained stable as RMB6,147.0 million for the corresponding period in 2022.

Revenue by product

	For the year ended 31 December			
	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	2,192,419	53.6%	2,263,898	61.8%
Revenue from related parties	1,899,247	46.4%	1,400,798	38.2%
Total revenue from hot pot condiments products	<u>4,091,666</u>	<u>100%</u>	<u>3,664,696</u>	<u>100%</u>

Revenue from hot pot condiments products increased by 11.7% from RMB3,664.7 million for the year ended 31 December 2022 to RMB4,091.7 million for 2023, accounting for 66.5% of the revenue for the year ended 31 December 2023. Revenue from sales of hot pot condiment products to related parties increased by 35.6% as compared to the previous year. The increase was mainly due to the increase of sales to stores or restaurants of related parties brought by increase in demand of offline consumption as a result of the recovery of economic and social environment. Revenue from sales of hot pot condiments products to third parties decreased by 3.2% as compared to the previous year, which was mainly due to that the sales of new small beef tallow hot pot soup flavoring products grew fast among hot pot condiments products in 2023, which seized certain market share from existing hot pot condiments products of our Group, and our relevant small beef tallow hot pot soup flavoring product was launched late.

	For the year ended 31 December			
	2023		2022	
	Revenue (RMB'000)	% of revenue from Chinese style compound condiments	Revenue (RMB'000)	% of revenue from Chinese style compound condiments
Revenue from Chinese-style compound condiments				
Revenue from third parties	592,591	95.4%	558,449	98.2%
Revenue from related parties	28,806	4.6%	10,414	1.8%
Total revenue from Chinese-style compound condiments	<u>621,397</u>	<u>100%</u>	<u>568,863</u>	<u>100%</u>

Revenue from Chinese-style compound condiments increased by 9.2% from RMB568.9 million for the year ended 31 December 2022 to RMB621.4 million for 2023, accounting for 10.1% of the revenue for the year ended 31 December 2023. Among this, revenue from sales of Chinese-style compound condiments to third parties increased by 6.1%, which was mainly due to the diversification of product flavors and the promotion of new products of the Group. Revenue from sales of Chinese-style compound condiments to related parties increased by 176.6%. The increase was mainly due to the launch of new products and the increase in product offerings.

	For the year ended 31 December			
	2023		2022	
	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	1,304,408	94.0%	1,791,639	95.8%
Revenue from related parties	82,714	6.0%	78,430	4.2%
Total revenue from convenient ready-to-eat food products	1,387,122	100%	1,870,069	100%

Revenue from convenient ready-to-eat food products decreased by 25.8% from RMB1,870.1 million for the year ended 31 December 2022 to RMB1,387.1 million for 2023, accounting for 22.6% of the revenue for the year ended 31 December 2023. Among this, revenue from sales of convenient ready-to-eat food products to third parties decreased by 27.2%, which was mainly attributable to the diversification in consumer demand as a result of the recovery of economic and social environment, resulting in the decrease in demand for self-serving hot pot products, and the late launch of new products of the Group. Revenue from sales of convenient ready-to-eat food products to related parties increased by 5.5%.

Revenue by distribution network

	For the year ended 31 December			
	2023		2022	
	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	2,010,767	32.7%	1,489,651	24.2%
Third party customers				
Distributors	3,805,020	61.9%	4,300,513	70.0%
E-commerce	304,577	5.0%	332,091	5.4%
Others				
Third party catering enterprises	27,209	0.4%	24,756	0.4%
Total revenue	6,147,573	100%	6,147,011	100%

With the gradual recovery of market vitality in 2023, the offline consumption scenario became more active, which promoted the rapid recovery of the catering market. For the year ended 31 December 2023, the sales revenue from sales to related parties (mainly referred to Haidilao Group, Super Hi Group and Shuhai Supply Chain Group) was RMB2,010.8 million, representing a year-on-year increase of 35.0%.

For the year ended 31 December 2023, the sales revenue from sales to distributors was RMB3,805.0 million, representing a year-on-year decrease of 11.5%, mainly due to the decrease in demand for self-serving hot pot and the late launch of new convenient ready-to-eat food products; and the sales revenue from e-commerce channels was RMB304.6 million, representing a year-on-year decrease of 8.3%, mainly due to the decrease in revenue from convenient ready-to-eat food products.

Revenue by geographic region

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

	For the year ended 31 December			
	2023	% of	2022	% of
	Revenue	total	Revenue	total
	(RMB'000)	revenue	(RMB'000)	revenue
Northern China ⁽⁵⁾	2,723,585	44.3%	2,707,534	44.1%
Southern China ⁽⁶⁾	3,047,321	49.6%	3,088,220	50.2%
Other markets	376,667	6.1%	351,257	5.7%
Total	<u>6,147,573</u>	<u>100%</u>	<u>6,147,011</u>	<u>100%</u>

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, decreased by 2.0% from RMB4,293.1 million for the year ended 31 December 2022 to RMB4,206.3 million for 2023. The decrease in cost of sales was mainly due to the decrease in purchase price of raw materials such as grease, Sichuan pepper and beef pack.

Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2023		2022	
	Gross profit	Gross profit	Gross profit	Gross profit
	(RMB'000)	margin %	(RMB'000)	margin %
Hot pot condiments	1,393,590	34.1%	1,273,682	34.8%
Third parties	1,064,811	48.6%	1,092,304	48.2%
Related parties	328,779	17.3%	181,378	12.9%
Chinese-style compound condiments	203,999	32.8%	183,381	32.2%
Third parties	198,740	33.5%	181,519	32.5%
Related parties	5,259	18.3%	1,862	17.9%
Convenient ready-to-eat food products	342,205	24.7%	396,019	21.2%
Third parties	323,143	24.8%	379,354	21.2%
Related parties	19,062	23.0%	16,665	21.2%
Others	1,510	3.2%	800	1.8%
Total	1,941,304	31.6%	1,853,882	30.2%

The Group's gross profit increased by 4.7% from RMB1,853.9 million for the year ended 31 December 2022 to RMB1,941.3 million for 2023, and the gross profit margin increased from 30.2% for 2022 to 31.6% for 2023. The increase in gross profit margin was mainly due to the decrease in cost of sales as a result of cost reduction in certain raw materials.

Distribution Expenses

The Group's distribution expenses decreased by 8.8% from RMB646.6 million for the year ended 31 December 2022 to RMB589.4 million for 2023. The Group's distribution expenses as a percentage of the Group's revenue decreased from 10.5% for 2022 to 9.6% for 2023. The decrease in distribution expenses was mainly due to the decrease in advertising and promotion expenses and transportation expenses.

Administrative Expenses

The Group's administrative expenses increased by 20.9% from RMB227.8 million for the year ended 31 December 2022 to RMB275.5 million for 2023. The Group's administrative expenses as a percentage of the Group's revenue increased from 3.7% for 2022 to 4.5% for 2023. The increase in administrative expenses was mainly attributable to the increase in the travel and office expenses and discretionary bonus to senior management.

Other Income and Gains

The Group's net amount of other income and gains decreased by 14.4% from RMB138.2 million for the year ended 31 December 2022 to RMB118.4 million for 2023, which was mainly due to the decrease in gains in foreign exchange resulting from the slowdown of appreciation of US dollars to RMB in 2023.

Finance Income – net

The Group's net amount of finance income increased by 183.6% from RMB24.4 million for the year ended 31 December 2022 to RMB69.3 million for 2023, which was mainly due to the increase in interest income resulted from the increase in average deposit amount of the Group and increase in US dollar deposit interest rate.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax increased by 10.7% from RMB1,142.1 million for the year ended 31 December 2022 to RMB1,264.1 million for 2023.

Income Tax Expenses

The Group's income tax expenses increased by 9.5% from RMB326.2 million for the year ended 31 December 2022 to RMB357.1 million for 2023. The effective tax rate slightly decreased from 28.6% for the year ended 31 December 2022 to 28.2% for the year ended 31 December 2023.

Net Profit for the Year

As a result of the foregoing, net profit of the Group increased by 11.2% from RMB816.0 million for the year ended 31 December 2022 to RMB907.0 million for 2023. Basic earnings per share increased from RMB75.7 cents for the year ended 31 December 2022 to RMB87.5 cents for 2023, and net profit margin increased from 13.3% for the year ended 31 December 2022 to 14.8% for 2023, mainly due to the decrease in price of raw materials, which resulted in higher gross profit margin.

Capital Liquidity and Financial Resources

For the year ended 31 December 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 expansion and business operations through organic growth and sustainable development.

Cash and Cash Equivalents

As at 31 December 2023, the Group's cash and cash equivalents were mainly composed of Renminbi and US dollars. Cash and cash equivalents amounted to approximately RMB2,309.4 million (31 December 2022: RMB1,880.5 million).

Asset-Liability Ratio

As at 31 December 2023, the Group's asset-liability ratio⁽⁷⁾ was 15.9% (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 and finished goods. As at 31 December 2023, the inventories amounted to approximately RMB370.5 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 32.9 days for the year ended 31 December 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 31 December 2023, the trade receivables amounted to approximately RMB258.1 million (31 December 2022: RMB155.6 million). The change was mainly due to the increase in trade receivables of the Company as a result of the increase in offline consumer demands of the stores of the related parties and the increase in revenue from related parties. The trade receivables of the related parties' stores have been fully recovered during the account period. The turnover days of trade receivables increased from 11.6 days for the year ended 31 December 2022 to 12.3 days for the year ended 31 December 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 RMB402.8 million as at 31 December 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 34.7 days for the year ended 31 December 2023.

Contingent Liabilities

As at 31 December 2023, the Company did not have any material contingent liabilities.

Charge of Assets

As at 31 December 2023, the Company did not charge any fixed assets as securities for borrowings.

Borrowings

As at 31 December 2023, the Company did not have any bank borrowings.

Debt-to-Equity Ratio

As at 31 December 2023, the debt-to-equity ratio⁽⁸⁾ of the Company was 1.7% (2022: 2.5%).

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 US dollars and Hong Kong dollars, and is therefore exposed to foreign exchange risk. The Group has not hedged against its foreign exchange risk. However, the Group will closely monitor the exposure and will take specific measures when necessary to make sure the foreign exchange risk is manageable and within control.

Employees and Remuneration Policy

As at 31 December 2023, the Group had a total of 2,816 employees (including temporary workers), comprising 2,097 employees in production, 562 employees in marketing and 157 employees in administration and management functions.

For the year ended 31 December 2023, the Group's total staff costs amounted to RMB581.5 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 year ended 31 December 2023, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PROSPECTS

Industry and Business Outlook

In 2024, with the gradual recovery of the national economy, the consumption capability and confidence of residents are expected to improve, but the consumption trend will gradually shift toward rationality, and the consumption environment order will gradually improve accordingly. Consumers' demand derived from cost-effective spending will be strengthened, and the consumer market is expected to recover steadily.

In 2024, the Group will prioritize product research and development, overseas expansion, brand promotion, channel building and supply chain optimization as the Company's strategic focuses.

In respect of product research and development, the Group will adhere to the "project-based products" system as the guideline, continuously improve the product research and development "methodology", enhance the research and development capabilities and market insight capabilities of product team, closely track changes in consumer demand trends, further launch new products and improve and upgrade existing ones in line with current consumption trends, develop diversified products of new flavors and new concept to meet the diversity of usage scenarios, constantly break the boundaries of product research and development, and improve product success rate and comprehensive competitiveness. The Group will continue to explore the business-end market and leverage dynamic information such as consumer-end taste and spending trends to complement business-end market. On the basis of stabilizing the supply of the existing products, the Group will leverage its research and development and market exploration capabilities to further launch competitive product items, enrich the product matrix, and increase the market share of the business-end market.

In respect of overseas business, the Group will insist on focusing on the development of products based on local flavors, continuously expanding the category matrix, and enriching product types. Through obtaining "Halal" food certification, and conducting market demand research and taste adjustment for overseas "Halal" markets, the Group will further expand the coverage of overseas customers and enhance product and brand recognition in overseas markets. At the same time, the Group will deepen the existing consumer-end channels, increase the proportion of core supermarkets, and further develop overseas e-commerce platforms to connect with overseas business-end market, with a view to increasing the overall sales income of overseas markets. The Group will continue to optimize the existing overseas supply chain. With the completion of the construction of the supply center in Southeast Asia, the Group will progressively optimize and integrate overseas procurement resources to reduce transportation and logistics costs, and improve the efficiency of overseas supply chain, providing a solid foundation for further expansion of overseas business, so as to gradually spread to other overseas regional markets by radiating the Southeast Asian market.

In respect of brand strategy, the Group will continue to implement the multi-brand strategy. Through online and offline brand marketing promotion, interactive campaign such as material display and new product tasting, the Group aims to enhance the recognition of brands such as "Haidilao" and "Magic Cook" by consumers, and enrich product mix and flavors to strengthen brand loyalty.

In respect of channel building, the Group will continue to improve channel operation efficiency by delicating channel and standardizing process management. The Group will continuously optimize and improve personnel incentive policies and strengthen the management over and interactive communication with distributors. Through seminars and new product launches (among others), the Group will cooperate with distributors to achieve a win-win situation, enhance end-to-end warm services, strengthen the popularity and sales enthusiasm of the Group's products and brands among points of sales, and explore more diversified types of sales outlets to improve the Group's market share and industry status. The Group will continue to strengthen the supporting role of the informatization-based system in channel management. Through data analysis and information feedback, the Group will understand the trend of product sales and refine the profiles of the channel customers, so as to provide strong data support for further optimizing product screening and exploring new channel opportunities.

In respect of e-commerce sales channels, the Group will continue to analyze and improve the operation and management methods of online channels from multiple perspectives. Leveraging self-owned flagship stores as the base for launching major new products, carrying out product enhancement, and strengthening the interaction and communication with online distributors and consumers, the marketing promotion efforts were enhanced, and the channel operation standards were streamlined and regulated, so that the influence of e-commerce channels and operational efficiency can be enhanced. At the same time, the Group will optimize online product selection strategy to differentiate online products from offline channel products, so as to better adapt to the development plan of online channels and provide consumers with a more intimate online shopping experience. Moreover, the Group will always keep abreast of the latest developments and play the leading role of e-commerce channels in the 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 has been put into operation in the first quarter of 2024. The planned annual production capacity of convenient ready-to-eat food products is 28,000 tonnes, mainly covering sales of convenient ready-to-eat food products in northern and northeastern regions of China, which enables the Group to better control logistics costs and alleviate production capacity pressure during peak seasons.

Secondly, Yihai Anhui Technology's beef tallow production base has introduced advanced beef tallow production lines to realize 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 be put into operation in the second quarter of 2024. 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 according to actual needs.

Thirdly, the Thai factory is located in Rojana Industrial Park of Ayutthaya in Thailand, mainly serving for the hot pot soup flavorings and compound condiment products. It has a planned annual production capacity of 15,000 tonnes, and has already been put into operation in the second quarter of 2023. The Thai factory currently mainly radiates the Southeast Asian market, and will gradually supply to other overseas regional markets in the future.

Future Plans for Material Investments

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the part 2 of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and has complied with the code provisions in the part 2 of the Corporate Governance Code for the year ended 31 December 2023.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 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. The Company was not aware of any non-compliance of the Model Code by the employees for the year ended 31 December 2023.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, the Company repurchased a total of 10,200,000 Shares on the Stock Exchange at an aggregate consideration of approximately HK\$199,740,172 (equivalent to approximately RMB175,757,000). 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 of the Company (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.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”), comprising all independent non-executive Directors, being Mr. Yau Ka Chi (the chairman), Mr. Qian Mingxing and Ms. Ye Shujun, has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management, including the review of the audited consolidated results of the Group for the year ended 31 December 2023. The Audit Committee considers that the annual financial results for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Scope of Work of Auditor

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set forth in this announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

The Restricted Share Unit Scheme

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

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

The Company approved and granted 125,000 RSUs pursuant to the RSU Scheme on 23 November 2023. Please refer to the Company’s announcement dated 23 November 2023 for details.

Events after the End of the 31 December 2023

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this announcement.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders at the forthcoming annual general meeting (the “AGM”) on Thursday, 23 May 2024 for the distribution of a final dividend of RMB0.74 per share for the year ended 31 December 2023. The final dividend is expected to be paid on or about Tuesday, 18 June 2024 to the Shareholders whose names are listed in the register of members of the Company on Thursday, 30 May 2024, in an aggregate of approximately RMB767,158,000. The final dividend will be distributed in Hong Kong dollars and will be calculated based on the average benchmark exchange rate of RMB against Hong Kong dollar announced by the People’s Bank of China in the five working days prior to but excluding the date of the Board meeting held on Tuesday, 26 March 2024. Accordingly, the final dividend to be paid is HK\$0.8154 per share. The proposal for the distribution of the final dividend above is subject to the consideration and approval of the Shareholders at the AGM.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The register of members of the Company will be closed from Monday, 20 May 2024 to Thursday, 23 May 2024, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Thursday, 23 May 2024. The Shareholders whose names appear on the register of members of the Company on Monday, 20 May 2024 (the “**Record Date**”) will be entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 17 May 2024.

The register of members of the Company will also be closed from Wednesday, 29 May 2024 to Thursday, 30 May 2024, both days inclusive, in order to determine the entitlement of the Shareholders to the final dividend. The Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 30 May 2024 will be entitled to the final dividend. In order to be eligible to be entitled to the final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong before 4:30 p.m. on Tuesday, 28 May 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report for the year ended 31 December 2023 containing all the information required by 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.

APPRECIATION

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

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

Hong Kong, 26 March 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 Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.