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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 2021**

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 2021 (the “**Reporting Period**”), together with comparative figures for the same period of 2020.

#### **GROUP FINANCIAL HIGHLIGHTS**

- Revenue was RMB2,630.8 million for the six months ended 30 June 2021, a 18.6% increase from RMB2,218.1 million for the six months ended 30 June 2020.
- Gross profit was RMB861.0 million for the six months ended 30 June 2021, a 2.1% decrease from RMB879.8 million for the six months ended 30 June 2020.
- Operating profit was RMB515.8 million for the six months ended 30 June 2021, a 10.2% decrease from RMB574.1 million for the six months ended 30 June 2020.
- Net profit attributable to the owners of the Company was RMB348.8 million for the six months ended 30 June 2021, a 12.6% decrease from RMB398.9 million for the six months ended 30 June 2020.
- Earnings per share (basic) was RMB35.56 cents for the six months ended 30 June 2021, a 12.6% decrease from RMB40.67 cents for the six months ended 30 June 2020.

## Interim Condensed Consolidated Balance Sheet

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		906,210	790,095
Right-of-use assets		248,352	207,509
Intangible assets		19,664	21,493
Deferred income tax assets		29,126	16,476
Financial assets at fair value through profit or loss		170,857	83,672
Term deposits with initial term over one year		660,000	190,000
Prepayments for property, plant and equipment	5	323,186	148,053
<b>Total non-current assets</b>		<u>2,357,395</u>	<u>1,457,298</u>
<b>Current assets</b>			
Inventories		321,221	406,033
Prepayments and other current assets	5	160,283	107,208
Trade receivables	6	172,264	190,829
Other financial assets at amortised cost		13,081	7,100
Term deposits with initial term over three months and within one year		883	131,937
Cash and cash equivalents		1,218,292	1,986,929
<b>Total current assets</b>		<u>1,886,024</u>	<u>2,830,036</u>
<b>Total assets</b>		<u>4,243,419</u>	<u>4,287,334</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	7	68	68
Shares held for employee share scheme		(4)	(4)
Other reserves		497,936	745,944
Retained earnings		2,898,086	2,549,250
Capital and reserves attributable to owners of the Company		3,396,086	3,295,258
Non-controlling interests		261,673	218,329
<b>Total equity</b>		<u>3,657,759</u>	<u>3,513,587</u>

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities		86,626	44,357
Deferred income tax liabilities		28,984	23,746
<b>Total non-current liabilities</b>		<u>115,610</u>	<u>68,103</u>
<b>Current liabilities</b>			
Trade payables	8	231,761	279,322
Contract liabilities		36,798	80,100
Lease liabilities		25,951	29,279
Other payables and accruals		120,355	192,075
Current income tax liabilities		55,185	124,868
<b>Total current liabilities</b>		<u>470,050</u>	<u>705,644</u>
<b>Total liabilities</b>		<u>585,660</u>	<u>773,747</u>
<b>Total equity and liabilities</b>		<u>4,243,419</u>	<u>4,287,334</u>
<b>Net current assets</b>		<u>1,415,974</u>	<u>2,124,392</u>

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

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

	Note	Unaudited	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	4	2,630,804	2,218,133
Cost of sales	9	(1,769,831)	(1,338,370)
<b>Gross profit</b>		<b>860,973</b>	<b>879,763</b>
Distribution expenses	9	(326,291)	(210,882)
Administrative expenses	9	(134,719)	(153,739)
Reversal of impairment on financial assets		–	2,210
Other income and gains – net	10	115,815	56,784
<b>Operating profit</b>		<b>515,778</b>	<b>574,136</b>
Finance income	11	11,269	12,363
Finance costs	11	(2,178)	(774)
Finance income – net	11	9,091	11,589
<b>Profit before income tax</b>		<b>524,869</b>	<b>585,725</b>
Income tax expense	12	(132,476)	(139,908)
<b>Profit for the period</b>		<b>392,393</b>	<b>445,817</b>
<b>Profit for the period attributable to:</b>			
Owners of the Company		348,836	398,919
Non-controlling interests		43,557	46,898
		<b>392,393</b>	<b>445,817</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit of loss			
– Currency translation differences		(4,692)	(7,231)
<b>Other comprehensive income for the period, net of tax</b>		<b>(4,692)</b>	<b>(7,231)</b>
<b>Total comprehensive income for the period</b>		<b>387,701</b>	<b>438,586</b>
<b>Total comprehensive income for the period attributable to:</b>			
– Owners of the Company		344,357	392,082
– Non-controlling interests		43,344	46,504
		<b>387,701</b>	<b>438,586</b>
<b>Earnings per share attributable to owners of the Company</b> (expressed in RMB cents per share)			
– Basic	13	35.56	40.67
– Diluted	13	35.56	40.67

The above interim condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## Notes to the Interim Condensed Consolidated Financial Information

### 1. GENERAL INFORMATION

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

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

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

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

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

### 2. BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”).

The interim condensed consolidated financial information does not include all the notes of the type normally included in an annual financial statements. Accordingly, this interim condensed consolidated financial information is to be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those described in the Group’s annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements except for the estimation of income tax (see Note 12) using the tax rate that would be applicable to expected total annual earnings.

The adoption of the new and amended standards which are effective for annual reporting period commencing 1 January 2021 does not have any significant impact on the Group’s significant accounting policies and the presentation of this interim condensed consolidated financial information.

In addition, certain new and amended standards and annual improvements have been published that are not mandatory for the current reporting period and have not been early adopted by the Group. These new and amended standards and annual improvements are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### 4. REVENUE AND SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed by the chief operating decision makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales of hot pot condiment, Chinese-style compound condiment, convenient ready-to-eat food products and others to third party and related party customers, which are considered by the CODM as one segment. The Group’s principal market is the Mainland China and its sales to overseas customers contributed to less than 5% of the total revenues for the six months ended 30 June 2021 and 2020. Accordingly, no geographical information is presented.

Breakdown of revenue by product categories is as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB’000	RMB’000
<b>Revenue recognised at a point in time</b>		
Hot pot condiment		
– Related parties	816,956	469,224
– Third parties	692,431	746,245
Subtotal	<u>1,509,387</u>	<u>1,215,469</u>
Chinese-style compound condiment		
– Related parties	25,612	15,746
– Third parties	296,358	283,752
Subtotal	<u>321,970</u>	<u>299,498</u>
Convenient ready-to-eat food products		
– Related parties	50,673	13,668
– Third parties	697,835	654,495
Subtotal	<u>748,508</u>	<u>668,163</u>
Others		
– Related parties	33	388
– Third parties	50,906	34,615
Subtotal	<u>50,939</u>	<u>35,003</u>
<b>Total</b>	<u><u>2,630,804</u></u>	<u><u>2,218,133</u></u>

Revenue from sales attributable to related parties accounted for approximately 34.0% and 22.5% of the Group’s total revenue for the six months ended 30 June 2021 and 2020 respectively.

## 5. PREPAYMENTS AND OTHER ASSETS

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Prepayments for property, plant and equipment	323,186	148,053
Prepayments for purchase of raw materials	94,487	53,635
Value-added tax recoverable	42,815	33,301
Prepayments for technology and other services expenses	16,926	10,570
Prepayments for short-term leases of warehouses and staff quarters	2,645	6,130
Others	3,410	3,572
	<u>483,469</u>	<u>255,261</u>
Less: non-current items	<u>(323,186)</u>	<u>(148,053)</u>
Other current assets	<u>160,283</u>	<u>107,208</u>

## 6. TRADE RECEIVABLES

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Third parties	5,663	6,184
Related parties	<u>166,668</u>	<u>184,712</u>
Subtotal	172,331	190,896
Less: provision for impairment	<u>(67)</u>	<u>(67)</u>
Trade receivables – net	<u>172,264</u>	<u>190,829</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 (net of provision for impairment) at the respective balance sheet dates is as follows:

	<b>Unaudited 30 June 2021 RMB'000</b>	<b>Audited 31 December 2020 RMB'000</b>
Within 3 months	172,237	190,523
3 to 6 months	<u>27</u>	<u>306</u>
	<u>172,264</u>	<u>190,829</u>

The movement in the impairment allowance for trade receivables during the period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Opening balance</b>	67	2,577
Provision for the period	–	180
Reversal for amounts collected during the period	–	(2,366)
	<u>67</u>	<u>391</u>
<b>Closing balance</b>	<u><u>67</u></u>	<u><u>391</u></u>

## 7. SHARE CAPITAL

### Authorised:

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares US\$</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>
Ordinary shares of US\$0.00001 each On 1 January 2020, 31 December 2020 and 30 June 2021	5,000,000,000	50,000	307
	<u><u>5,000,000,000</u></u>	<u><u>50,000</u></u>	<u><u>307</u></u>

### Issued and fully paid ordinary shares:

	<b>Number of ordinary shares</b>	<b>Nominal value of ordinary shares US\$</b>	<b>Equivalent nominal value of ordinary shares RMB'000</b>
Ordinary shares of US\$0.00001 each On 1 January 2020, 31 December 2020 and 30 June 2021	1,046,900,000	10,469	68
	<u><u>1,046,900,000</u></u>	<u><u>10,469</u></u>	<u><u>68</u></u>

## 8. 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:

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	230,207	278,045
3 to 6 months	293	1,069
6 months to 1 year	1,261	208
	<u>231,761</u>	<u>279,322</u>
<b>Total</b>	<u><u>231,761</u></u>	<u><u>279,322</u></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	
	2021	2020
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	33,353	30,126
Raw materials and consumables used	1,546,515	1,169,858
Employee benefit expenses	271,635	252,365
Transportation and related charges	95,571	71,105
Advertising and other marketing expenses	88,625	36,800
Depreciation of property, plant and equipment	37,506	28,000
Warehouse expenses	29,584	18,562
Taxes and surcharges	21,804	17,099
Utilities	16,532	14,246
Technical supporting fees, professional fees and other services fees	15,649	12,785
Travel and entertainment expenses	16,449	11,553
Depreciation of right-of-use assets	15,303	8,416
Expense relating to short-term leases not included in lease liabilities	8,747	6,122
Maintenance costs	4,371	4,322
Auditor's remuneration	1,045	935
Amortisation of intangible assets	3,011	2,572
Write-down of inventories	4,208	609
Other expenses	20,933	17,516
Total	<u>2,230,841</u>	<u>1,702,991</u>

## 10. OTHER INCOME AND GAINS – NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Government grants (note)	74,526	34,957
Change in fair value of financial assets at fair value through profit or loss		
– Realised investment income	11,058	7,464
– Unrealised fair value gain	32,273	2,834
Sales of scrap materials	6,281	3,077
Net foreign exchange (losses)/gains	(11,439)	19,612
Losses on disposal of property, plant and equipment	(227)	(329)
Donation	(114)	(12,523)
Others	3,457	1,692
Total	<u>115,815</u>	<u>56,784</u>

Note:

Government grant is mainly from value added tax refund for growing local economic development. 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	
	2021 RMB'000	2020 RMB'000
Finance income		
– Interest income	11,269	12,363
Finance costs		
– Interest on lease liabilities	<u>(2,178)</u>	<u>(774)</u>
Finance income -net	<u>9,091</u>	<u>11,589</u>

## 12. INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax	139,888	131,708
Deferred income tax (credit)/charge	<u>(7,412)</u>	<u>8,200</u>
Income tax expense	<u>132,476</u>	<u>139,908</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 to 30 June 2021 is approximately 25.2% (six months ended 30 June 2020: 23.9%).

## 13. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share for each of the six months ended 30 June 2021 and 2020 is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue, less the shares as held for the Group's RSU Scheme during the reporting period.

	Unaudited Six months ended 30 June	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	<u>348,836</u>	<u>398,919</u>
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	<u>980,952</u>	<u>980,952</u>
Basic earnings per share (RMB cents)	<u>35.56</u>	<u>40.67</u>

**(b) Diluted earnings per share**

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

No diluted earnings per share has been presented since there was no potential dilutive ordinary share in issue for the six months ended 30 June 2021.

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

**14. DIVIDENDS**

During the six months ended 30 June 2021, the total dividends paid amounted to RMB243,529,000 or RMB25.003 cents per share (six months ended 30 June 2020: RMB203,653,000 or RMB20.660 cents per share) which are net of the dividend of RMB16,643,000 (six months ended 30 June 2020: RMB13,829,000) attributable to the shares held for the RSU Scheme.

**2021 INTERIM PERFORMANCE REVIEW**

In the first half of 2021, as the achievements from coordination of domestic pandemic prevention and control and economic and social development have been further consolidated, the national economy has sustained the momentum of steady and sound development with gradual improvement, and the consumer market has continued to recover. At the same time, although the recovery process of the type of consumption with physical contact such as catering is still affected by factors such as sporadic outbreaks, the consumption scale of catering continues to recover.

In the first half of 2021, the Group's major businesses focused on continuously adjusting the organizational structure to ensure organizational strength, expanding and building third-party sales channels, continuously improving product research and development mechanisms, implementing the multi-brand strategy as well as supplementing and optimizing the supply capabilities persistently. For the six months ended 30 June 2021, the Group's revenue was RMB2,630.8 million, representing a year-on-year increase of 18.6%; operating profit amounted to RMB515.8 million, representing a year-on-year decrease of 10.2%.

In terms of the adjustment of organizational structure, based on the regional structure of 2020, the Group adjusted the scope and number of regions, granted authority and responsibility of regional channel building, new product research and development, etc., to promote regional establishment, configurable resources, and operating models to match the Company's development in current stage as well as its business and product strategy.

According to the adjusted regional situation, the Group focuses on evaluating process indicators such as distributors' inventory, satisfaction of end-points, and performance of end-points in the region. Meanwhile, the Group continues to provide sales personnel ("Partners") with incentives linked to regional profits and fully authorizes Partners to lead the operation of business unit and expansion of the operation team.

In terms of products, the Group continued to innovate and expand its product offerings, and developed 17 new products based on the three main categories of the existing products, i.e., hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products by diversifying its product application scenarios and subdividing its target customer base as its strategy in the first half of 2021.

In the first half of 2021, the Group began to use the trademark of “Magic Cook (筷手小厨)” alone in the Chinese-style compound condiments to effectively implement the multi-brand strategy of combining brands with products. In terms of specific dissemination, we promoted the connection between the brand of “Magic Cook (筷手小厨)” and compound condiments through various forms such as TV advertising, naming, full media platform coverage, recommendation, and live broadcast to occupy the minds of consumers.

In terms of replenishing and optimizing supply capacity, several assembly lines for convenient ready-to-eat food products of production base in Bazhou, Hebei commenced operation in the first half of this year; the Yihai factory in Kaifeng, Henan formally commenced operation in June 2021; at the same time, the construction work of production base in Luohe kicked off in March 2020, and is expected to commence operation in August 2021; the plant project in Zhaoqing, Guangdong has reached the stage of construction plan in the second half of 2020, and the first phase of the workshop is expected to be put into operation by the end of 2021.

## **BUSINESS REVIEW**

In the first half of 2021, the coordination of domestic pandemic prevention and control has achieved remarkable results, the national economy has gradually recovered and improved, and national consumption habits have gradually become normal. In this regard, the demand for retail products for household consumption caused by the pandemic has returned to a stable and normal level.

At the same time, with the effective prevention and control of the pandemic, the overall scale of catering consumption continues to recover. Although this type of consumption with physical contact is still affected by factors such as sporadic outbreaks, the overall trend of recovery is obvious.

### **Channel Building**

All along, we have paid more attention to promoting the sound and healthy development of channels, hoping to achieve a win-win situation with distributors by providing high-quality products, effective services, and flexible management. In the first half of 2021, based on the adjusted regional situation and the Company’s consistent service philosophy for channels and distributors, we have improved the regional process indicators, and conducted inspections, surveys and quarterly evaluations for markets in each region in combination of the Company’s market verification team and introduction of third-party outsiders on an irregular basis in order to implement “data-based assessment and follow-up supervision”.

We have enhanced logistic efficiency and the satisfaction of distributors and expanded the coverage of “zero inventory” in hypermarkets by continuously increasing the number of branch storage. The number of branch storage areas currently amounts to 10. This measure allows us to shorten the delivery cycle, effectively reduce the level of channel inventory and ensure the freshness of end products, improving the sound development of channels.

Benefitted from the continuous expansion to and penetration of domestic and overseas markets, effective incentives to internal sales staff and high priority to the satisfaction of external distributors and after-sales services, the Group’s distributors as at 30 June 2021 have covered totally 31 provincial regions in China and Hong Kong-Macau-Taiwan regions and 49 countries and regions overseas.

In the development of e-commerce channel, the Group has continued and further emphasized to conduct trial sale of new products online so as to increase the participation of consumers to the launching of the Group's new products, as such it is anticipated that the new products could match closely with the needs of consumers and enhance their experience and satisfaction. Meanwhile, the Group carried out online promotion based on different festivals and promotional campaigns as usual. For the six months ended 30 June 2021, the Group owned 5 flagship stores on e-commerce platforms such as Tmall.com and JD.com. The sales revenue of the Group from e-commerce channels for the same period was RMB177.5 million, representing a year-on-year increase of 11.4%.

For sales to related parties (referring to the Haidilao Group and Shuhai Supply Chain Group), with the effective control over the pandemic, restaurants gradually resumed operation in the first half of 2021. Therefore, the revenue from sales to related parties of the Group for the six months ended 30 June 2021 was RMB893.3 million, representing a year-on-year increase of 79.0% as compared to the same period of 2020.

## **Products**

In the first half of 2021, the category committee members of the Group led the entire research and development. The category committee members and the management of the Company jointly determined the direction and strategies of new products and conducted research and development of new products by categories. At present, the Group adopts more stringent procedures and standards than ever to launch new products, and encourages innovation as well as stipulating requirements on trial sale, local sale and national sale of new products in each stage so as to increase and secure the success rate of new products. At the same time, we continuously improve the formulae and upgrade the packaging of existing core products in order to reinforce the market position of core products and extend the life cycle of products.

The Group further determined the assessment indicators and incentives standards relating to new product innovations in light of experience gained from research and development and market performance of new products and in combination with the Company's strategies on new products. While emphasizing on stimulating innovation, the Group extended the cycle of assessment on products, guided employees to consider the life cycle of products at the initial of project establishment and aggregated major resources to products with more stable demand and longer life cycle.

For the six months ended 30 June 2021, the Company added a total of 9 Chinese-style compound condiment products, 8 convenient ready-to-eat food products. The Group had a total of 56 hot pot condiment products, 45 Chinese-style compound condiment products and 24 convenient ready-to-eat food products.

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

	For the six months ended 30 June					
	2021			2020		
	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price per Kg (RMB)	Revenue (RMB'000)	Sales volume (Tonnes)	Average selling price per Kg (RMB)
<b>Hot pot condiments<sup>(1)</sup></b>						
Third parties	692,431	23,536	29.4	746,245	24,184	30.9
Related parties	816,956	39,770	20.5	469,224	20,095	23.4
Subtotal	<u>1,509,387</u>	<u>63,306</u>	<u>23.8</u>	<u>1,215,469</u>	<u>44,279</u>	<u>27.5</u>
<b>Chinese-style compound condiments<sup>(2)</sup></b>						
Third parties	296,358	12,608	23.5	283,752	10,732	26.4
Related parties	25,612	1,049	24.4	15,746	563	28.0
Subtotal	<u>321,970</u>	<u>13,657</u>	<u>23.6</u>	<u>299,498</u>	<u>11,295</u>	<u>26.5</u>
<b>Convenient ready-to-eat food products<sup>(3)</sup></b>						
Third parties	697,835	17,760	39.3	654,495	18,102	36.2
Related parties	50,673	1,170	43.3	13,668	289	47.3
Subtotal	<u>748,508</u>	<u>18,930</u>	<u>39.5</u>	<u>668,163</u>	<u>18,391</u>	<u>36.3</u>
<b>Others<sup>(4)</sup></b>	<u>50,939</u>	<u>16,572</u>	<u>3.1</u>	<u>35,003</u>	<u>8,064</u>	<u>4.3</u>
<b>Total</b>	<u>2,630,804</u>	<u>112,465</u>	<u>23.4</u>	<u>2,218,133</u>	<u>82,029</u>	<u>27.0</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 silk noodles and instant rice
- (4) Mainly including the Group's sales of products such as snack food

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:

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>RMB'000</b>	<b>% of revenue</b>	<b>RMB'000</b>	<b>% of revenue</b>
Revenue from hot pot condiments	<b>1,509,387</b>	<b>57.4%</b>	1,215,469	54.8%
Revenue from Chinese-style compound condiments	<b>321,970</b>	<b>12.2%</b>	299,498	13.5%
Revenue from convenient ready-to-eat food products	<b>748,508</b>	<b>28.5%</b>	668,163	30.1%
Other revenue	<b>50,939</b>	<b>1.9%</b>	35,003	1.6%
<b>Total revenue</b>	<b><u>2,630,804</u></b>	<b><u>100%</u></b>	<b><u>2,218,133</u></b>	<b><u>100%</u></b>

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by 18.6% from RMB2,218.1 million for the six months ended 30 June 2020 to RMB2,630.8 million for the corresponding period in 2021.

### Revenue by product

	<b>For the six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Revenue (RMB'000)</b>	<b>% of revenue from hot pot condiments</b>	<b>Revenue (RMB'000)</b>	<b>% of revenue from hot pot condiments</b>
<b>Revenue from hot pot condiments products</b>				
Revenue from third parties	<b>692,431</b>	<b>45.9%</b>	746,245	61.4%
Revenue from related parties	<b>816,956</b>	<b>54.1%</b>	469,224	38.6%
<b>Total revenue from hot pot condiments products</b>	<b><u>1,509,387</u></b>	<b><u>100%</u></b>	<b><u>1,215,469</u></b>	<b><u>100%</u></b>

Revenue from hot pot condiment products increased by 24.2% from RMB1,215.5 million for the six months ended 30 June 2020 to RMB1,509.4 million for the corresponding period in 2021, accounting for 57.4% of the revenue for the six months ended 30 June 2021. Among that, revenue from sales of hot pot condiment products to related parties increased by 74.1% as compared to the corresponding period of 2020, and the revenue from sales of hot pot condiment products to third parties decreased by 7.2% as compared to the corresponding period of 2020. The decline in revenue from sales of hot pot condiment products to third parties was mainly due to effective control of pandemic in China as compared to the corresponding period of 2020 that brought the demand for household consumer products to normal level.

	For the six months ended 30 June		2020	
	2021	% of revenue from Chinese-style compound condiments	Revenue (RMB'000)	% of revenue from Chinese-style compound condiments
<b>Revenue from Chinese-style compound condiments</b>				
Revenue from third parties	296,358	92.0%	283,752	94.7%
Revenue from related parties	25,612	8.0%	15,746	5.3%
<b>Total revenue from Chinese-style compound condiments</b>	<b>321,970</b>	<b>100%</b>	<b>299,498</b>	<b>100%</b>

Revenue from Chinese-style compound condiments increased by 7.5% from RMB299.5 million for the six months ended 30 June 2020 to RMB322.0 million for the corresponding period of 2021, representing 12.2% of the revenue for the six months ended 30 June 2021. Among that, the revenue from sales of Chinese-style compound condiments to related parties increased by 62.7%, and revenue from sales of Chinese-style compound condiments to third parties increased by 4.4%.

	For the six months ended 30 June		2020	
	2021	% of revenue from convenient ready-to-eat food products	Revenue (RMB'000)	% of revenue from convenient ready-to-eat food products
<b>Revenue from convenient ready-to-eat food products</b>				
Revenue from third parties	697,835	93.2%	654,495	98.0%
Revenue from related parties	50,673	6.8%	13,668	2.0%
<b>Total revenue from convenient ready-to-eat food products</b>	<b>748,508</b>	<b>100%</b>	<b>668,163</b>	<b>100%</b>

For sales of convenient ready-to-eat food products, the Group continued to expand sales channels of convenient ready-to-eat food products, and focus on new product development, and launched promotional campaigns to boost the spending. For the six months ended 30 June 2021, the revenue from convenient ready-to-eat food products increased by 12.0% from RMB668.2 million for the six months ended 30 June 2020 to RMB748.5 million, representing 28.5% of the revenue for the six months ended 30 June 2021.



## Revenue by distribution network

	For the six months ended 30 June			
	2021		2020	
	Revenue (RMB'000)	% of total revenue	Revenue (RMB'000)	% of total revenue
<b>Related party customers</b>				
Haidilao Group	889,195	33.8%	487,104	22.0%
Shuhai Supply Chain Group	4,079	0.2%	11,922	0.5%
<b>Third party customers</b>				
Distributors	1,545,203	58.7%	1,545,072	69.7%
E-commerce	177,549	6.7%	159,405	7.2%
Others	14,778	0.6%	14,630	0.6%
<b>Total revenue</b>	<b>2,630,804</b>	<b>100%</b>	<b>2,218,133</b>	<b>100%</b>

The sales revenue of the Group from sales to related parties (mainly referring to the Haidilao Group and Shuhai Supply Chain Group) for the six months ended 30 June 2021 was RMB893.3 million, representing a year-on-year increase of 79.0%.

For the six months ended 30 June 2021, sales revenue of the Group from sales to distributors amounted to RMB1,545.2 million, remained stable as compared to the corresponding period of 2020. Sales revenue from e-commerce channels amounted to RMB177.5 million, representing a year-on-year increase of 11.4%.

## Revenue by geographic region

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

	For the six months ended 30 June			
	2021		2020	
	(RMB'000)	% of revenue	(RMB'000)	% of revenue
Northern China <sup>(5)</sup>	1,122,834	42.7%	1,007,683	45.4%
Southern China <sup>(6)</sup>	1,382,596	52.6%	1,106,059	49.9%
Overseas markets	125,374	4.7%	104,391	4.7%
<b>Total</b>	<b>2,630,804</b>	<b>100%</b>	<b>2,218,133</b>	<b>100%</b>

Notes:

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

## Cost of Sales

The Group's cost of sales, including raw materials, employee benefit expenses, depreciation and amortization and utilities, increased by 32.2% from RMB1,338.4 million for the six months ended 30 June 2020 to RMB1,769.8 million for the corresponding period of 2021. The increase in cost of sales was mainly due to an increase in overall costs as a result of increased sales volume and rising prices of oil products among the raw materials.

## Gross Profit and Gross Profit Margin

	For the six months ended 30 June			
	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
<b>Hot pot condiments</b>	<b>552,407</b>	<b>36.6%</b>	528,931	43.5%
Third parties	356,170	51.4%	410,584	55.0%
Related parties	196,237	24.0%	118,347	25.2%
<b>Chinese-style compound condiments</b>	<b>108,578</b>	<b>33.7%</b>	133,371	44.5%
Third parties	103,180	34.8%	129,277	45.6%
Related parties	5,398	21.1%	4,094	26.0%
<b>Convenient ready-to-eat food products</b>	<b>199,896</b>	<b>26.7%</b>	212,092	31.7%
Third parties	184,580	26.5%	207,344	31.7%
Related parties	15,316	30.2%	4,748	34.7%
<b>Others</b>	<b>92</b>	<b>0.2%</b>	5,369	15.3%
<b>Total</b>	<b>860,973</b>	<b>32.7%</b>	879,763	39.7%

The Group's gross profit decreased by 2.1% from RMB879.8 million for the six months ended 30 June 2020 to RMB861.0 million for the corresponding period of 2021, and the gross profit margin decreased from 39.7% for the six months ended 30 June 2020 to 32.7% for the corresponding period of 2021. The decrease in gross profit margin was mainly due to (1) a significant increase in percentage of total sales revenue derived from related-party sales as compared to the corresponding period of 2020, and there was a higher percentage of total sales revenue derived from third-party sales, which had a higher gross profit margin, during the corresponding period of 2020; (2) we continued to launch new products, which had a lower gross profit within the promotion period, in the first half of the year; (3) increase in costs as a result of rising prices of oil products among the raw materials, which in turn affected the gross profit margins of our products.

## **Distribution expenses**

The Group's distribution expenses increased by 54.7% from RMB210.9 million for the six months ended 30 June 2020 to RMB326.3 million for the corresponding period of 2021. The Group's distribution expenses as a percentage of the Group's revenue increased from 9.5% for the six months ended 30 June 2020 to 12.4% for the corresponding period of 2021. The increase in distribution expenses was mainly due to an increase in advertising expenses for promotion of the brand of "Magic Cook (筷手小厨)" and an increase in warehousing and transportation costs.

## **Administrative Expenses**

The Group's administrative expenses decreased by 12.4% from RMB153.7 million for the six months ended 30 June 2020 to RMB134.7 million for the corresponding period of 2021. The Group's administrative expenses as a percentage of the Group's revenue decreased from 6.9% for the six months ended 30 June 2020 to 5.1% for the corresponding period of 2021. The decrease in administrative expenses was mainly due to an increase in expenses for the construction projects of Bazhou and Maanshan Phase II as well as Luohe factory project during the corresponding period of 2020.

## **Other income and gains – net**

The Group's net amount of other incomes and gains – net increased by 103.9% from RMB56.8 million for the six months ended 30 June 2020 to RMB115.8 million for the corresponding period of 2021, mainly due to the increase in the amount of subsidy received from government and the increase of the change in fair value of financial assets at fair value through profit or loss.

## **Finance Income – Net**

The Group's finance incomes – net decreased by 21.6% from RMB11.6 million for the six months ended 30 June 2020 to RMB9.1 million for the corresponding period of 2021, mainly due to lower interest income and the increase of interest expenses arising from IFRS 16 lease liabilities.

## **Profit before Tax**

As a result of the foregoing, the Group's profit before income tax decreased by 10.4% from RMB585.7 million for the six months ended 30 June 2020 to RMB524.9 million for the corresponding period of 2021.

## **Income Tax Expense**

The Group's income tax expense decreased by 5.3% from RMB139.9 million for the six months ended 30 June 2020 to RMB132.5 million for the corresponding period of 2021. The effective tax rate increased from 23.9% for the six months ended 30 June 2020 to 25.2% for the corresponding period of 2021, mainly due to an increase in exchange loss as a result of foreign exchange rates fluctuation.

## **Net Profit for the Period**

As a result of the foregoing, net profit of the Group decreased from RMB445.8 million for the six months ended 30 June 2020 to RMB392.4 million for the corresponding period of 2021. Basic earnings per share decreased from RMB40.67 cents for the six months ended 30 June 2020 to RMB35.56 cents for the corresponding period of 2021, and net profit margin decreased from 20.1% for the six months ended 30 June 2020 to 14.9% for the corresponding period of 2021.

## **Capital Liquidity and Financial Resources**

For the six months ended 30 June 2021, 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 2021, the Group's cash and cash equivalents were mainly consisted of Renminbi, Hong Kong dollars and US dollars. Cash and cash equivalents amounted to approximately RMB1,218.3 million (31 December 2020: RMB1,986.9 million).

## **Asset-Liability Ratio**

As at 30 June 2021, the Group's asset-liability ratio<sup>(7)</sup> was 13.8% (31 December 2020: 18.0%). The decrease was mainly due to a decrease in trade payables, other payables and accruals and current income tax liabilities. The Group did not have any bank borrowings.

Note:

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

## **Inventories**

Inventories mainly include raw materials, work-in-progress and finished goods. As at 30 June 2021, the inventories amounted to approximately RMB321.2 million (31 December 2020: RMB406.0 million), the turnover days of inventories decreased from 38.7 days for the year ended 31 December 2020 to 37.0 days for the six months ended 30 June 2021. The decrease in turnover days of inventories was mainly due to the Group's enhanced efficiency of 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 2021, the trade receivables amounted to approximately RMB172.3 million (31 December 2020: RMB190.8 million). The change was mainly due to that payment method changed from sales on credit to advanced payment since the e-commerce platforms began to be operated by distributors for the year. The turnover days of trade receivables decreased from 15.4 days for the year ended 31 December 2020 to 12.4 days for the six months ended 30 June 2021.

## **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 RMB231.8 million as at 30 June 2021 (31 December 2020: RMB279.3 million). The turnover days of trade payables decreased from 26.8 days for the year ended 31 December 2020 to 26.0 days for the six months ended 30 June 2021.

## **Contingent Liabilities**

As at 30 June 2021, the Company did not have any contingent liabilities.

## **Charge of Assets**

As at 30 June 2021, the Company did not charge any fixed assets as securities for borrowings.

## **Borrowings**

As at 30 June 2021, the Company did not have any bank borrowings.

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

As at 30 June 2021, the debt-to-equity ratio<sup>(8)</sup> of the Company was 3.1%.

Note:

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

## **Foreign Exchange Risk and Hedging**

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

## **Employees and Remuneration Policy**

As at 30 June 2021, the Group had a total of 2,768 employees (including temporary workers), comprising 2,137 employees in production, 509 employees in marketing and 122 employees in administration and management functions.

For the six months ended 30 June 2021, the Group's total staff costs amounted to RMB271.6 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 2021, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

## **FUTURE PROSPECTS**

### **Industry and Business Outlook**

In 2021, as the domestic overall plan for pandemic prevention and control and socio-economic development has been further consolidated, the national economy gradually improved and consumer market continued to recover. It is expected that in the second half of 2021, although it may still be affected by the spread of the pandemic, given that public health issues will not have a negative impact on condiment retail end business, the development of the industry is still strong. Meanwhile, although the progress of recovery for the type of consumption with physical contact is still affected by the spread of the sporadic outbreaks and other factors, the consumption scale of catering still continues to recover.

In 2021, the Group will focus on product development, channel construction and multi-brand development. The product research and development under the leadership of the category committee members is expected to cater to market demand and enrich product matrix while consolidating the existing market position of strong single item. In terms of channel construction, given the uniqueness of the convenient ready-to-eat food products compared with the hot pot soup flavorings, compound condiment, the Group will focus on developing distributors that cater to convenient ready-to-eat food products to increase sales in the second half of the year. Meanwhile, the Group will continue to implement multi-brand development strategy to further enhance and improve the publicity and promotion of the brand of “Magic Cook (筷手小厨)”, cultivating the brand of “Magic Cook (筷手小厨)” into the brand of fast-moving consumer goods that well received by consumers.

### **Material Investments and Prospects**

The Group has continued to replenish and optimize its production capacity in the first half of 2021:

Firstly, the south and the north workshop of Phase I of the Bazhou factory project was completed and put into use, with 70,000 tonnes of production capacity in total; the Bazhou Phase II project has commenced construction, and is expected to commence production by the end of 2023 with a designed production capacity of 24,000 tonnes. The gradual completion of Bazhou factory will help the Group to control logistics costs and relieve peak season pressure more effectively.

Secondly, the new factory project in Maanshan has entered the construction stage. The completion of the project is expected to release production capacity of 200,000 tonnes, of which the planned production capacity of Phase I is 60,000 tonnes, which is expected to commence production in the first half of 2022. Meanwhile, the Maanshan Phase II project will be equipped with condiment production equipment and quality inspection instruments with advanced technologies at domestic and international level to enhance the Company’s overall production line efficiency.

Thirdly, the Luohe production base has commenced formal construction in March 2020, with a total designed production capacity of 300,000 tonnes, of which the planned production capacity of Phase I is 75,000 tonnes, which is expected to commence production in the second half of 2021; the production capacity of Luohe factory project is expected to continue to increase according to actual demand after 2022.

Fourthly, the planned production capacity of Phase I of the Jianyang production base project is 50,000 tonnes, which is expected to commence production in 2022.

Fifthly, Zhaoqing factory with an area of 50 mu, in Guangdong, has 2 workshops, of which the planned production capacity of the Yihai workshop is 18,000 tonnes and it is expected to commence production in November 2021. Three production lines are planned in the Fuhai workshop, of which the production capacity of small hot pots is 2,240,000, brewed silk noodles and instant rice more than 10,000,000 and it is expected to commence production in September 2021.

Sixthly, Phase I of the Thailand factory has a planned capacity of 20,000 tonnes, construction was commenced in the first half of 2021 and it is expected that production can be commenced in 2022. Phase II has a planned capacity of 20,000 tonnes, and it is expected that production will be commenced in 2025.

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

The Group will continue to extensively identify potential strategic investment opportunities and seek to acquire potential high-quality targets that create synergies for the Group in relation to such aspects as product research and development, product portfolio, channel expansion or cost control.

## **OTHER INFORMATION**

### **Interim dividend**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 to the Shareholders.

### **Event after the end of the Reporting Period**

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

## **Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). Specific enquiries have been made to all the directors of the Company (the “**Directors**”) and the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2021.

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 employees was noted by the Company during the six months ended 30 June 2021.

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

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “**Corporate Governance Code**”) contained in Appendix 14 to the Listing Rules. During the six months ended 30 June 2021, the Company has complied with the mandatory code provisions in the Corporate Governance Code.

## **Audit Committee**

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2021. The Audit Committee considers that the interim financial results for the six months ended 30 June 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **Publication of Interim Results Announcement and Interim Report**

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



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

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

Hong Kong  
24 August 2021

*As at the date of this announcement, the executive directors of the Company are Mr. Shi Yonghong, 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.*