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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 2021

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

GROUP FINANCIAL HIGHLIGHTS

- Revenue was RMB5,942.6 million in 2021, a 10.9% increase from RMB5,360.0 million in 2020.
- Gross profit was RMB1,924.0 million in 2021, a 7.9% decrease from RMB2,090.1 million in 2020.
- Net profit was RMB857.6 million in 2021, a 12.7% decrease from RMB982.9 million in 2020.
- Net profit attributable to owners of the Company was RMB766.2 million in 2021, a 13.4% decrease from RMB885.2 million in 2020.
- Earnings per share (basic and diluted) in 2021 were RMB0.782 and RMB0.782 respectively.

Consolidated Balance Sheet

		As at 31 December	
	Note	2021	2020
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		1,283,259	790,095
Right-of-use assets		281,103	207,509
Intangible assets		20,295	21,493
Deferred income tax assets		45,162	16,476
Financial assets at fair value through profit or loss		114,929	83,672
Term deposits with initial term over one year		660,000	190,000
Other non-current assets	4	205,373	148,053
Total non-current assets		2,610,121	1,457,298
Current assets			
Inventories		395,280	406,033
Other current assets	4	166,684	107,208
Trade receivables	5	236,522	190,829
Other financial assets at amortised cost		17,646	7,100
Financial assets at fair value through profit or loss		5,000	–
Term deposits with initial term over three months and within one year		204	131,937
Cash and cash equivalents		1,573,621	1,986,929
Total current assets		2,394,957	2,830,036
Total assets		5,005,078	4,287,334
Equity			
Equity attributable to owners of the Company			
Share capital	6	68	68
Shares held for employee share scheme		(4)	(4)
Other reserves		558,686	779,046
Retained earnings		3,246,836	2,516,148
Capital and reserves attributable to owners of the Company		3,805,586	3,295,258
Non-controlling interests		303,150	218,329
Total equity		4,108,736	3,513,587

Consolidated Balance Sheet (continued)

	Note	As at 31 December	
		2021	2020
		RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		104,415	44,357
Deferred income tax liabilities		36,062	23,746
Other non-current liability		22,563	—
		<u>163,040</u>	<u>68,103</u>
Total non-current liabilities		<u>163,040</u>	<u>68,103</u>
Current liabilities			
Trade payables	7	294,260	279,322
Contract liabilities		108,466	80,100
Lease liabilities		36,976	29,279
Other payables and accruals		197,197	192,075
Current income tax liabilities		96,403	124,868
		<u>733,302</u>	<u>705,644</u>
Total current liabilities		<u>733,302</u>	<u>705,644</u>
Total liabilities		<u>896,342</u>	<u>773,747</u>
Total equity and liabilities		<u>5,005,078</u>	<u>4,287,334</u>

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	3	5,942,617	5,360,021
Cost of sales	8	<u>(4,018,664)</u>	<u>(3,269,911)</u>
Gross profit		1,923,953	2,090,110
Distribution expenses	8	(697,926)	(563,467)
Administrative expenses	8	(246,663)	(280,535)
Other income and gains – net	9	<u>167,667</u>	<u>87,675</u>
Operating profit		<u>1,147,031</u>	<u>1,333,783</u>
Finance income	10	28,605	20,407
Finance costs	10	<u>(5,475)</u>	<u>(2,007)</u>
Finance income – net	10	<u>23,130</u>	<u>18,400</u>
Profit before income tax		1,170,161	1,352,183
Income tax expense	11	<u>(312,602)</u>	<u>(369,322)</u>
Profit for the year		<u>857,559</u>	<u>982,861</u>
Profit attributable to:			
Owners of the Company		766,201	885,222
Non-controlling interests		<u>91,358</u>	<u>97,639</u>
		<u><u>857,559</u></u>	<u><u>982,861</u></u>

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

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
– Currency translation differences		(9,413)	(581)
Other comprehensive loss for the year, net of tax		<u>(9,413)</u>	<u>(581)</u>
Total comprehensive income		<u>848,146</u>	<u>982,280</u>
Total comprehensive income attributable to:			
– Owners of the Company		757,001	885,062
– Non-controlling interests		<u>91,145</u>	<u>97,218</u>
		<u>848,146</u>	<u>982,280</u>
Earnings per share attributable to equity holders of the Company <i>(expressed in RMB cents per share)</i>			
– Basic	12	78.2	90.2
– Diluted	12	<u>78.2</u>	<u>90.2</u>

1. GENERAL INFORMATION

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

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

The Company’s global offering of its shares (the “Global Offering”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE”) 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 23 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(i) *Compliance with IFRS and HKCO*

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

(ii) *Historical cost convention*

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

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

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

Amendments to IFRS 9, IAS 39, IFRS 7, *Interest Rate Benchmark Reform –Phase 2*
IFRS 4 and IFRS 16

The Group also elected to adopt the following amendments early:

Amendment to IFRS 16 *COVID-19-Related Rent Concessions beyond 30*
June 2021

The amendments stated 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 standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. REVENUE AND SEGMENT INFORMATION

Management determines the operating segments based on the reports reviewed by the chief operating decision makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales of hot pot condiment, Chinese-style compound condiment, convenient ready-to-eat food products and others to third party and related party customers, which are considered by the CODM as one segment. The Group’s principal market is the Mainland China and its sales to overseas customers contributed to less than 10% of the total revenues for the year ended 31 December 2021. Accordingly, no geographical information is presented.

Breakdown of revenue by product categories is as follows:

	Year ended 31 December	
	2021 RMB’000	2020 RMB’000
Revenue		
Hot pot condiment		
– Related parties	1,774,938	1,348,680
– Third parties	1,831,898	1,841,402
Subtotal	<u>3,606,836</u>	<u>3,190,082</u>
Chinese-style compound condiment		
– Related parties	47,765	34,693
– Third parties	482,683	495,724
Subtotal	<u>530,448</u>	<u>530,417</u>
Convenient ready-to-eat food products		
– Related parties	112,074	39,665
– Third parties	1,590,986	1,500,552
Subtotal	<u>1,703,060</u>	<u>1,540,217</u>
Others		
– Related parties	241	453
– Third parties	102,032	98,852
Subtotal	<u>102,273</u>	<u>99,305</u>
Total	<u><u>5,942,617</u></u>	<u><u>5,360,021</u></u>

Revenue from sales attributable to related parties accounted for approximately 32.6% and 26.6% of the Group’s total revenue for the year ended 31 December 2021 and 2020 respectively.

4. OTHER ASSETS

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Prepayments for property, plant and equipment	205,373	148,053
Prepayments for purchase of raw materials	90,579	53,635
Value-added tax recoverable	46,346	33,301
Prepayments for marketing and consulting expenses	20,889	10,570
Prepayments for short-term leases of warehouses and staff quarters	3,283	6,130
Others	5,587	3,572
	<u>372,057</u>	<u>255,261</u>
Less: non-current items	<u>(205,373)</u>	<u>(148,053)</u>
Other current assets	<u>166,684</u>	<u>107,208</u>

5. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Third parties	20,503	6,184
– Related parties	<u>216,229</u>	<u>184,712</u>
Subtotal	236,732	190,896
Less: provision for impairment	<u>(210)</u>	<u>(67)</u>
Trade receivables – net	<u>236,522</u>	<u>190,829</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	
	2021	2020
	RMB'000	RMB'000
Within 3 months	236,732	189,357
3 to 6 months	<u>–</u>	<u>1,539</u>
	<u>236,732</u>	<u>190,896</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 2020, 31 December 2020 and 2021	5,000,000,000	50

Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
On 1 January 2020, 31 December 2020 and 2021	1,046,900,000	10,469	68

7. TRADE PAYABLES

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

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

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Within 3 months	292,197	278,045
3 to 6 months	1,737	1,069
6 months to 1 year	326	208
Total	294,260	279,322

8. EXPENSES BY NATURE

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

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Changes in inventories of finished goods	24,305	(74,763)
Raw materials and consumables used	3,570,057	3,010,331
Employee benefit expenses	521,595	535,589
Transportation and related charges	199,568	172,458
Advertising and other marketing expenses	224,145	139,478
Depreciation of property, plant and equipment	82,098	60,957
Warehouse expenses	60,088	45,324
Utilities	52,473	37,640
Taxes and surcharges	38,095	35,583
Depreciation of right-of-use assets	34,881	19,653
Travel and entertainment expenses	32,190	27,489
Technical supporting fees, professional fees and other services fees	25,169	27,384
Expense relating to short-term leases not included in lease liabilities	16,486	15,317
Auditor's remuneration	3,260	2,780
Amortisation of intangible assets	6,221	5,551
Provision for/(reversal of) impairment on financial assets	249	(2,462)
Write off of obsolete inventories	8,180	3,914
Other expenses	64,193	51,690
Total	4,963,253	4,113,913

9. OTHER INCOME AND GAINS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Government grants (i)	113,939	101,333
Change in fair value of financial assets at fair value through profit or loss		
– Realised investment income	18,180	18,150
– Unrealised fair value gain	45,870	10,424
Sales of scrap materials	10,228	8,606
Net foreign exchange losses	(18,810)	(39,862)
Losses on disposal of property, plant and equipment	(3,069)	(1,995)
Donation	(6,140)	(12,523)
Others	7,469	3,542
	<u>167,667</u>	<u>87,675</u>
Total	<u>167,667</u>	<u>87,675</u>

- (i) Government grant is mainly from value added tax refund for growing local economic development and amortization of deferred income from assets-related government grant. 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	
	2021	2020
	RMB' 000	RMB' 000
Finance income		
– Interest income	28,605	20,407
Finance costs		
– Interest on lease liabilities	<u>(5,475)</u>	<u>(2,007)</u>
Finance income – net	<u>23,130</u>	<u>18,400</u>

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Current income tax	328,972	336,988
Deferred income tax (credit)/expense		
– Origination and reversal of temporary differences	(16,370)	32,334
Income tax expense	<u>312,602</u>	<u>369,322</u>

(a) Cayman Islands income tax

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

(b) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% on the Group's estimated assessable profit for the year ended 31 December 2021 (2020: 16.5%).

(c) Overseas income tax

The Company's subsidiaries incorporated overseas are subject to overseas profits tax at 10% to 27% on estimated assessable profit for this year.

(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 2021 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

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

According the applicable mainland China tax regulations, dividends distributed by a company established in mainland China to a foreign investor with respect to profit derived after 1 January 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%.

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share for each of the years ended 31 December 2021 and 2020 are calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue less shares held for RSU Scheme during the year.

	Year ended 31 December	
	2021	2020
Profit attributable to owners of the Company (RMB'000)	766,201	885,222
Weighted average number of ordinary shares in issue less shares held for the RSU Scheme (thousands)	980,332	980,332
Basic earnings per share (RMB cents)	<u>78.2</u>	<u>90.2</u>

(b) Diluted earnings per share

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

No diluted earnings per share has been presented since there was no potential dilutive ordinary share in issue for the year ended 31 December 2021 and 2020.

13. DIVIDENDS

(i) Ordinary shares

The total dividends paid in 2021 amounted to RMB243,529,000 or RMB25.003 cents per share (2020: RMB203,653,000 or RMB20.660 cents per share) (which are net of the dividend of RMB16,643,000 (2020: RMB13,829,000) 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 23 March 2022, the Board of Directors proposed a final dividend of RMB21.9563 cents per ordinary share of the Company, amounting to RMB229,861,000 for the year ended 31 December 2021 from the Company's share premium. The final dividend is to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2022. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation from the share premium account for the year ending 31 December 2022.

14. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2021 and 2020.

2021 PERFORMANCE REVIEW

In 2021, in a world that was more sophisticated and severe with challenges such as rising COVID-19 cases, the Chinese government upheld the underlying principle of pursuing progress while ensuring stability, and coordinated pandemic prevention and control and economic and social development. With these efforts, China's economy continued stable recovery and public wellbeing was effectively guaranteed, making a good start to the 14th Five-Year Plan. However, the food industry as a whole is on a slow recovery trend due to factors such as inventory backlogs and rising raw material procurement costs.

In 2021, the Group's major businesses focused on segmenting the channels, improving product research and development mechanisms, promoting the implementation of the multi-brand strategy, supplementing and optimizing the supply capabilities, so as to enhance operating efficiency by improving and enhancing the management structure.

In terms of channel building, to refine management on channels and enhance management efficiency, our efforts for this year mainly focused on diversifying channels, mainly reflected in (1) differentiated arrangements of distributors and other parties for condiments and convenient ready-to-eat food products based on differences in sales of products of different categories to end-points; and (2) differentiated management models for NKA (National Key-Account), EKA (E-commerce Key-Account) and circulation channels based on different ways of operation of the channels. We started to make these adjustments in the second half of 2021 and were about to complete these adjustments by the end of the year.

In terms of research and development of products, the "project-based system for products" prior to 2021 takes a single unit of product as the central task, making the institutional setups become focused on immediate gains. As a result, preliminary validation had not been fully made for the launch of new products at the market and the products failed to show desired results when they were launched at the market. During the year, we made further improvements on the "project-based system for products", by which an innovation committee was established to coordinate the research and development team with top-down approaches and pooled efforts and resources for research and development, so as to guide the research and development team to conduct in-depth studies of product categories and the industry, pay attention to long-term planning of product categories and raise standards for launching of products, in order to increase the success rate of launch products.

In 2021, we implemented the multi-brand strategy and continued to use the trademark of "Magic Cook (筷手小厨)" on products such as Chinese-style compound condiments and brewed rice, with a combination of various ways of promotion including celebrity endorsement, advertisements on platforms and communication with consumers.

In terms of supplementing supply capabilities, we continued to expand the production capacity in light of market demands and our development needs in 2021, with factories for production of rice, silk noodles and sauce established and factories for production of prepared food planned. The Group's Phase I production base in Luohe, Henan with approximately 150,000 tonnes of planned annual production capacity had commenced production of 90,000 tonnes in September 2021. Phase I of Fuhai Guangdong Zhaoqing factory had commenced production at the end of December 2021, which will release an annual production capacity of 44,000 tonnes of convenient ready-to-eat food products.

BUSINESS REVIEW

In 2021, in a sophisticated world with challenges such as rising COVID-19 cases, local governments across China diligently implemented decisions and arrangements by the CPC Central Committee and the State Council, coordinated pandemic prevention and control and economic and social development. With these efforts, the overall consumer market continued its steady recovery. However, the condiment industry in 2021 was affected by weakened demand, excess inventory, rising costs and diversion of customers in communities by group purchases. As a result, the industry maintained a slow recovery trend in general. For the year ended 31 December 2021, the revenue of the Group was RMB5,942.6 million, representing a year-on-year increase of 10.9%; net profit was RMB857.6 million, representing a year-on-year decrease of 12.7%.

Sales Channels

The Group continued to be the supplier of hot pot condiment products to Haidilao Group, one of our related parties, while at the same time, it also provided cooking condiment solutions to Chinese family cooking customers, catering service providers and companies in the food industry. As of 2021, the major products of the Group included hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products, and major channels for third-party sales included distributors, e-commerce and catering customers. The Group's sales to third-party distributors has covered totally 31 provincial regions in China and Hong Kong-Macau-Taiwan regions and 49 countries and regions overseas.

Development and expansion of third-party channels have always been the most important sales strategy of the Group. In 2021, the Group continued to set satisfaction of distributors and end-points as the starting point and conducted process indicator assessments to the first-tier sales (“**Partner(s)**”). Meanwhile, we further diversify the channels and maintained different ways of management on different channels. We have also developed specified standards for management for products and channels with different characteristics based on differences of sales of different categories to end-points. With refined and differentiated models of management on these channels and distributors, we strived to enhance the overall operating efficiency.

In the development of e-commerce channel, the Group continued to adopt the strategy of enhancing interactive experience of consumers, using the flagship store as the major interactive base for brands, enhancing communication among consumers, and providing more heart touching shopping experience for consumers. In 2021, the Group formulated targeted marketing plans on different festivals and promotional campaigns as usual. As at 31 December 2021, the Group had 7 flagship stores on e-commerce platforms such as Tmall.com, JD.com and Pinduoduo. For the year ended 31 December 2021, the sales revenue of the Group from e-commerce channels was RMB321.3 million, representing a year-on-year increase of 11.8%.

For sales to related parties (referring to the Haidilao Group and Shuhai Supply Chain Group), with the effective control over the pandemic, the restaurant business of the Haidilao Group gradually resumed operation in the first half of 2021, though it is still affected by factors such as rising COVID-19 cases, extreme weather and adjustments to strategies of opening restaurants of the Haidilao Group. As of 31 December 2021, the revenue of the Group from sales to related parties was RMB1,935.0 million, representing a year-on-year increase of 35.9%.

Products

In 2021, the Group continued to explore new product opportunities with the strategy of segmentation of categories and consumption scenarios with customers' needs in mind, and motivated producers to develop more products to satisfy market demand under the "project-based system for products".

In 2021, product research and development is still the major strategy of the Group. The senior management had paid great attention to the optimization of systems, implementation of product marketing projects and the development of new product supply chain. Since the implementation of the "project-based system for products" by the Group in 2018, we carried out further improvements and amendments to the system in line with the objective and actual situation. During the year, we have also established an innovation committee to coordinate the research and development team with top-down approaches and pooled efforts and resources for research and development, so as to guide the research and development team to conduct in-depth studies of product categories and the industry, pay attention to long-term planning of product categories and raise standards for launching of products, in order to increase the success rate of launch products.

During the year, the Group had different numbers of new product innovations in three categories, and enhanced the sales of new products through various marketing means along with various seasonal themes and promotional campaigns. In the first half of 2021, the Group promoted the "Red Lobster" series and promoted products through advertisements on mainstream media such as Zhejiang STV and Dragon TV, and continued to promote products through various online events, such as "Queen's Day", "Foodaholic Festival on 17 May" and "618 Carnival". During the second half of the year, along with the peak season of hot pot, we have launched a marketing campaign. We also optimized and re-launched the self-serving rice products, which enriched the product offering of the convenient ready-to-eat food products.

For the year ended 31 December 2021, the Company added a total of 8 hot pot condiment products, 18 Chinese-style compound condiment products and 13 convenient ready-to-eat food products. As at 31 December 2021, the Group had a total of 65 hot pot condiment products, 65 Chinese-style compound condiment products and 36 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 year ended 31 December					
	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)
Hot pot condiments ⁽¹⁾						
Third parties	1,831,898	63,240	29.0	1,841,402	61,173	30.1
Related parties	1,774,938	88,342	20.1	1,348,680	60,010	22.5
Subtotal	<u>3,606,836</u>	<u>151,582</u>	<u>23.8</u>	<u>3,190,082</u>	<u>121,183</u>	<u>26.3</u>
Chinese-style compound condiments ⁽²⁾						
Third parties	482,683	19,514	24.7	495,724	18,294	27.1
Related parties	47,765	1,879	25.4	34,693	1,353	25.6
Subtotal	<u>530,448</u>	<u>21,393</u>	<u>24.8</u>	<u>530,417</u>	<u>19,647</u>	<u>27.0</u>
Convenient ready-to-eat food products ⁽³⁾						
Third parties	1,590,986	40,801	39.0	1,500,552	33,807	44.4
Related parties	112,074	2,619	42.8	39,665	844	47.0
Subtotal	<u>1,703,060</u>	<u>43,420</u>	<u>39.2</u>	<u>1,540,217</u>	<u>34,651</u>	<u>44.4</u>
Others ⁽⁴⁾	<u>102,273</u>	<u>32,248</u>	<u>3.2</u>	<u>99,305</u>	<u>22,391</u>	<u>4.4</u>
Total	<u>5,942,617</u>	<u>248,643</u>	<u>23.9</u>	<u>5,360,021</u>	<u>197,872</u>	<u>27.09</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 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			
	2021		2020	
	RMB'000	% of revenue	RMB'000	% of revenue
Revenue from hot pot condiments	3,606,836	60.7%	3,190,082	59.5%
Revenue from Chinese-style compound condiments	530,448	8.9%	530,417	9.9%
Revenue from convenient ready-to-eat food products	1,703,060	28.7%	1,540,217	28.7%
Other revenue	102,273	1.7%	99,305	1.9%
Total revenue	<u>5,942,617</u>	<u>100%</u>	<u>5,360,021</u>	<u>100%</u>

For the year ended 31 December 2021, the three major product categories of the Group, namely hot pot condiments, Chinese-style compound condiments and convenient ready-to-eat food products, experienced varying degrees of growth. For the year ended 31 December 2021, the Company added a total of 8 hot pot condiment products, 18 Chinese-style compound condiment products and 13 convenient ready-to-eat food products. As at 31 December 2021, the Group had a total sales of 65 hot pot condiment products, 65 Chinese-style compound condiment products and 36 convenient ready-to-eat food products.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 10.9% from RMB5,360.0 million for the year ended 31 December 2020, to RMB5,942.6 million for the corresponding period in 2021.

Revenue by product

	For the year ended 31 December			
	2021		2020	
	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	1,831,898	50.8%	1,841,402	57.7%
Revenue from related parties	1,774,938	49.2%	1,348,680	42.3%
Total revenue from hot pot condiments products	<u>3,606,836</u>	<u>100%</u>	<u>3,190,082</u>	<u>100%</u>

Revenue from hot pot condiment products increased by 13.1% from RMB3,190.1 million for the year ended 31 December 2020 to RMB3,606.8 million for 2021, accounting for 60.7% of the revenue as at 31 December 2021. Among that, revenue from sales of hot pot condiment products to related parties increased by 31.6% as compared to 2020. The increase in revenue from sales of hot pot condiment products to related parties was mainly due to the impact of the pandemic on the restaurant industry for the corresponding period of 2020 and the recovery for the operation of the restaurant industry for this year; Revenue from sales of hot pot condiment products to third parties decreased by 0.5% as compared to 2020. The decrease was mainly due to upgrading of existing products and development of new products that failed to meet the expected schedule.

	For the year ended 31 December			
	2021	% of revenue from Chinese-style compound condiments	2020	% of revenue from Chinese-style compound condiments
	Revenue (RMB'000)		Revenue (RMB'000)	
Revenue from Chinese-style compound condiments				
Revenue from third parties	482,683	91.0%	495,724	93.5%
Revenue from related parties	47,765	9.0%	34,693	6.5%
Total revenue from Chinese-style compound condiments	<u>530,448</u>	<u>100%</u>	<u>530,417</u>	<u>100%</u>

Revenue from Chinese-style compound condiments for the year ended 31 December 2021 was RMB530.4 million, showing no significant change as compared to RMB530.4 million for 2020 and representing 8.9% of the revenue for the year ended 31 December 2021. Among that, the revenue from sales of Chinese-style compound condiments to related parties increased by 37.7%, and revenue from sales of Chinese-style compound condiments to third parties decreased by 2.6%, which were mainly due to (1) our failure to take timely upgrade for certain existing products such as “Spicy Pot” series to meet the needs of consumers; and (2) our failure to launch new products to meet market demands.

	For the year ended 31 December		2020	
	2021	% 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	1,590,986	93.4%	1,500,552	97.4%
Revenue from related parties	112,074	6.6%	39,665	2.6%
Total revenue from convenient ready-to-eat food products	1,703,060	100%	1,540,217	100%

The revenue from convenient ready-to-eat food products increased by 10.6% from RMB1,540.2 million for the year ended 31 December 2020 to RMB1,703.1 million for 2021, representing 28.7% of the revenue for the year ended 31 December 2021. Among that, the revenue from sales of convenient ready-to-eat food products to related parties increased by 182.6% and the revenue from sales of convenient ready-to-eat food to third parties increased by 6.0%, which was mainly attributable to the increase in revenue from new products such as silk noodles and self-serving rice.

Revenue by distribution network

	For the year ended 31 December		2020	
	2021	% of total revenue	Revenue (RMB' 000)	% of total revenue
Related party customers				
Haidilao Group	1,927,251	32.4%	1,401,648	26.2%
Shuhai Supply Chain Group	7,767	0.2%	21,843	0.4%
Third party customers				
Distributors	3,648,339	61.4%	3,619,741	67.5%
E-commerce	321,291	5.4%	287,258	5.4%
Others				
Third-party catering companies	37,360	0.6%	29,293	0.5%
One-off sales activities	609	0.0%	238	0.0%
Total revenue	5,942,617	100%	5,360,021	100%

In 2021, with the effective control over the pandemic, restaurants of the Haidilao Group, a related party of the Company, gradually resumed operation in the first half of 2021, though it is still affected by factors such as rising COVID-19 cases, extreme weather and adjustments to strategies of opening restaurants of the Haidilao Group. The sales revenue of the Group from sales to related parties (mainly referring to the Haidilao Group and Shuhai Supply Chain Group) for the year ended 31 December 2021 was RMB1,935.0 million, representing a year-on-year increase of 35.9%.

For sales revenue of third-party distributors, the Group segmented the distribution channels in 2021, and adopted management methods based on different categories and channels to enhance our refined management on channels and distributors and enhance operating efficiency. In e-commerce, the Group continued to carry out various innovative marketing activities in different points of sales and focused on the improvement of customer service quality and consumption experience. For the year ended 31 December 2021, sales revenue from sales to distributors amounted to RMB3,648.3 million, representing a year-on-year increase of 0.8%. Sales revenue from e-commerce channels amounted to RMB321.3 million, representing a year-on-year increase of 11.8%.

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			
	2021	% of	2020	% of
	(RMB'000)	revenue	(RMB'000)	revenue
Northern China ⁽⁵⁾	2,494,343	42.0%	2,321,977	43.3%
Southern China ⁽⁶⁾	3,145,006	52.9%	2,790,129	52.1%
Overseas markets	303,268	5.1%	247,915	4.6%
Total	5,942,617	100%	5,360,021	100%

Notes:

(5) Including Heilongjiang, Jilin, Liaoning, Inner Mongolia, Beijing, Tianjin, Hebei, Shandong, Shanxi, Henan, Ningxia, Shaanxi, Gansu, Qinghai, Xinjiang and Tibet

(6) Including Jiangsu, Shanghai, Zhejiang, Anhui, Jiangxi, Fujian, Hubei, Hunan, Guangdong, Chongqing, Guizhou, Guangxi, Sichuan, Yunnan and Hainan

Cost of Sales

The Group's cost of sales, including raw materials, employee benefit expenses, depreciation and amortization and utilities, increased by 22.9% from RMB3,269.9 million for the year ended 31 December 2020 to RMB4,018.7 million for 2021.

Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2021		2020	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Hot pot condiments	1,304,891	36.2%	1,375,284	43.1%
Third parties	929,346	50.7%	1,026,325	55.7%
Related parties	375,545	21.2%	348,959	25.9%
Chinese-style compound condiments	182,572	34.4%	244,291	46.1%
Third parties	173,178	35.9%	234,758	47.4%
Related parties	9,394	19.7%	9,533	27.5%
Convenient ready-to-eat food products	435,083	27.3%	459,588	29.8%
Third parties	403,056	25.3%	446,894	29.8%
Related parties	32,027	28.6%	12,694	32.0%
Others	1,407	1.4%	10,947	11.0%
Total	1,923,953	32.4%	2,090,110	39.0%

The Group's gross profit decreased by 7.9% from RMB2,090.1 million for the year ended 31 December 2020 to RMB1,924.0 million for 2021, and the gross profit margin decreased from 39.0% for the year ended 31 December 2020 to 32.4% for 2021. The decrease in gross profit margin was mainly due to (1) a rise in the prices of main raw materials such as grease resulting in the decrease in gross profit margin; and (2) an increase in sales revenue from sales of products to related parties and convenient ready-to-eat food products with lower gross profit margin as a percentage of the total sales revenue resulting in the decrease in gross profit margin.

Distribution Expenses

The Group's distribution expenses increased by 23.9% from RMB563.5 million for the year ended 31 December 2020 to RMB697.9 million for the year of 2021. The Group's distribution expenses as a percentage of the Group's revenue increased from 10.5% for the year of 2020 to 11.7% for the year of 2021. The increase in distribution expenses was mainly due to the increase in advertising and marketing expenses and transportation and warehousing costs.

Administrative Expenses

The Group's administrative expenses decreased by 12.1% from RMB280.5 million for the year ended 31 December 2020 to RMB246.7 million for the year of 2021. The Group's administrative expenses as a percentage of the Group's revenue decreased from 5.2% for the year of 2020 to 4.2% for the year of 2021. The decrease in administrative expenses was mainly attributable to lower remunerations to the management.

Other Income and Gains – net

The Group's net amount of other incomes and gains – net increased by 91.2% from RMB87.7 million for the year ended 31 December 2020 to RMB167.7 million for the year of 2021, mainly due to the increase in the amount of financial subsidy received from government and the increase in fair value of financial assets.

Finance Income – net

The Group's finance income – net increased by 25.7% from RMB18.4 million for the year ended 31 December 2020 to RMB23.1 million for the year of 2021, which was mainly attributable to the increase in the amount of interests on deposit received.

Profit before Income Tax

As a result of the foregoing, the Group's profit before income tax decreased by 13.5% from RMB1,352.2 million for the year ended 31 December 2020 to RMB1,170.2 million for the year of 2021.

Income Tax Expense

The Group's income tax expense decreased by 15.4% from RMB369.3 million for the year ended 31 December 2020 to RMB312.6 million for the year of 2021. The effective tax rate was 27.3% for the year ended 31 December 2020 and it decreased to 26.7% for the year ended 31 December 2021.

Net Profit for the Year

As a result of the foregoing, net profit of the Group decreased by 12.7% from RMB982.9 million for the year ended 31 December 2020 to RMB857.6 million for the year of 2021. Basic earnings per share decreased from RMB90.2 cents for the year ended 31 December 2020 to RMB78.2 cents for the year of 2021, and net profit margin decreased from 18.3% for the year ended 31 December 2020 to 14.4% for the year of 2021, mainly due to the decrease in gross profit margin and the increase in distribution expenses.

Capital Liquidity and Financial Resources

For the year ended 31 December 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 31 December 2021, the Group's cash and cash equivalents were mainly composed of Renminbi, Hong Kong dollars and US dollars. Cash and cash equivalents amounted to approximately RMB1,573.6 million (31 December 2020: RMB1,986.9 million).

Asset-Liability Ratio

As at 31 December 2021, the Group's asset-liability ratio⁽⁷⁾ was 17.9% (31 December 2020: 18.0%). The Group did not have any bank borrowings.

Note:

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

Inventories

Inventories mainly include raw materials, work in progress and finished goods. As at 31 December 2021, the inventories amounted to approximately RMB395.3 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 35.9 days for the year ended 31 December 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 31 December 2021, the trade receivables amounted to approximately RMB236.5 million (31 December 2020: RMB190.8 million). The change was mainly due to the increase in revenue from related parties at the end of the year. The turnover days of trade receivables decreased from 15.4 days for the year ended 31 December 2020 to 12.9 days for the year ended 31 December 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 RMB294.3 million as at 31 December 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 25.7 days for the year ended 31 December 2021.

Contingent Liabilities

As at 31 December 2021, the Company did not have any material contingent liabilities.

Charge of Assets

As at 31 December 2021, the Company did not charge any fixed assets as securities for borrowings.

Borrowings

As at 31 December 2021, the Company did not have any bank borrowings.

Debt-to-Equity Ratio

As at 31 December 2021, the debt-to-equity ratio⁽⁸⁾ of the Company was 3.4%.

Note:

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

Foreign Exchange Risk and Hedging

The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. However, the Group has certain cash in hand denominated in Hong Kong dollars and United States dollars, and is therefore exposed to foreign exchange 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 31 December 2021, the Group had a total of 2,499 employees (including temporary workers), comprising 1,874 employees in production, 519 employees in marketing and 106 employees in administration and management functions.

As at 31 December 2021, the Group's total staff costs amounted to RMB521.6 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

As at 31 December 2021, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PROSPECTS

Industry and Business Outlook

In 2022, the demand is expected to be further driven by the steady recovery for the domestic economy and the targeted control on the pandemic across China. This, together with the favourable trend of inventories in the industry and operation of group purchases in the communities that is more regulated, the consumption scale would continue to recover.

In 2022, the Group will continue to place strategic focus on production research and development, brand promotion, channel building, terminal marketing and building the supply chain.

In respect of product development, the Group will continue to optimize and upgrade its products to keep pace with the current trend of multi-level and diversified consumer spending, and continue to introduce new products in various categories. While reinforcing the existing market positions for popular individual products, the Group will exercise its research and development and market exploration capabilities to launch innovative products that meet the needs and preferences of consumers. Meanwhile, we will continue to utilize the revised incentive strategy of “project-based system for products”, introduce different new products and increase the success rate of products. Also, the market exit system will be strictly enforced to adjust the product mix in a timely manner, and non-performing goods will be removed to enhance the comprehensive competitiveness of the products.

In respect of brand strategy, the Group will continue to implement a multi-brand strategy to break the existing brand boundaries with sub-brand products and enrich product forms and flavours. Meanwhile, we will continue the publicity and promotions for the brand of “Magic Cook (筷手小厨)”, and enhance brand recognition, together with continuous introduction of new product flavours.

In terms of channel building, the Group will continue to pursue channel penetration on the basis of segmented channel operations, so as to continue enhancing the Group’s market share and position in the industry. Meanwhile, we will keep on improving and refining the management system and personnel incentive policies to encourage internal sales staff and external distributors effectively, while increasing the density of the coverage by points of sale and the efficiency of standalone points of sale. In respect of e-commerce platforms, we will focus on improving consumers’ experience continuously as well as enhancing the sales efficiency and brand image of e-commerce platforms.

In terms of terminal marketing, the Group will continue to carry out active online and offline promotions, focusing on the theme of “familial affection” management, serving distributors and points of sale, improving the utilization efficiency of expenses and optimizing the efficiency of terminal sales. At the same time, the Group will continue to deepen the cooperation with distributors, improve the distribution efficiency through multiple regional warehouses, and effectively tap the channel space and distributor potential through measures such as “zero inventory”.

In respect of supply chain formation, the Group will continue to establish domestic and foreign factories to supplement the global supply of products. Meanwhile, we will continue investing in lean production and equipment research and development, optimizing the division of supply technology categories, improving the level of automation in production lines, enhancing efficiency and optimizing the costs on supply-side. In addition, the Group has established five domestic industrial centers in China, and gradually introduced supporting industries to settle around its own factories, shortening the length of supply chain, forming industrial clusters, optimizing and integrating procurement resources, reducing transportation and logistics costs, improving supply chain efficiency and lowering the costs of products.

Material Investments and Prospects

In order to further supplement and optimize production capacity, the Group will mainly adopt the following measures in 2022:

Firstly, the construction of the north workshop of Bazhou Phase I project in Hebei Province of the PRC has been completed, with a total production capacity of 70,000 tonnes. The Bazhou Phase II project is expected to commence construction in June 2022 and start production in early 2023, with an annual production capacity of 82,000 tonnes of convenient ready-to-eat food products. With the gradual completion of the Bazhou factory, the Group will be able to better control and manage logistics costs and production capacity pressure during peak seasons.

Secondly, the main plant of the Maanshan Phase II new factory project has been completed and is undergoing internal decoration. The project is expected to release 200,000 tonnes of production capacity upon full completion, of which the planned production capacity of the first phase is 60,000 tonnes, which is expected to start production in May 2022. Maanshan Phase II project will be equipped with condiment production equipment and quality testing equipment at domestic and foreign advanced technological standards to improve the overall production line efficiency of the Company.

Thirdly, the construction of the Luohe production base officially commenced in March 2020, with a current total annual designed production capacity of 300,000 tonnes. The annual production capacity of the first phase is planned to be 150,000 tonnes, of which workshop No. 1 has been put into operation in September 2021 and workshop No. 2 is expected to commence operation in August 2022. The Luohe production base is expected to gradually increase its production capacity according to actual demand at a later stage.

Fourthly, the first phase of Jianyang production base mainly focuses on compound condiment products, with a planned annual production capacity of 25,000 tonnes. The project is scheduled to commence operation at the end of 2022. The second phase is planned to have assembly lines for convenient ready-to-eat food products with an annual planned production capacity of 22,000 tonnes, of which the time for commencing production will depend on actual demand.

Fifthly, the Group has purchased a land parcel located in Rojana Industrial Park of Ayutthaya in Thailand in May 2020 for the construction of a Thai factory. The first phase of the Thai factory has a designed production capacity of 20,000 tonnes, which has commenced construction since the end of February 2021 and is expected to commence production in September 2022. The second phase will have a designed production capacity of 20,000 tonnes and is expected to commence production in 2025.

Future Plans for Material Investments

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company has applied the principles and code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) and has complied with the code provisions in the Corporate Governance Code for the year ended 31 December 2021.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code for the year ended 31 December 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. No incident of non-compliance of the Model Code by the employees was noted by the Company for the year ended 31 December 2021.

Use of Proceeds from the Global Offering

The Company’s net proceeds from the Global Offering amounted to approximately HK\$797.3 million. As disclosed in the announcement of the Company dated 24 August 2021 (the “**Announcement**”), the Board resolved to change the use of the net proceeds. For details of the use of the net proceeds as of 31 December 2021, please refer to the 2021 annual report of the Company to be published in due course. As of 31 December 2021, the Company had utilized all the net proceeds from the Global Offering.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year ended 31 December 2021.

Audit Committee

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

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2021 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 December 31, 2021 as set forth in this announcement have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standard on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

The Restricted Share Unit Scheme

The Company has approved and adopted a restricted share unit scheme (the “**RSU Scheme**”) by a resolution of the shareholders of the Company (the “**Shareholder(s)**”) on 24 February 2016 and a resolution of the Board on 24 February 2016. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by the Company to subscribe for new shares.

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

The Company did not grant any RSUs in 2021.

Events After the End of the 31 December 2021

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this announcement.

FINAL DIVIDEND

The Board resolved to propose to the Shareholders in the forthcoming annual general meeting (the “**AGM**”) on Friday, 20 May 2022 for the distribution of a final dividend of RMB21.9563 cents per share for the year ended 31 December 2021. The final dividend is expected to be paid on or about Thursday, 16 June 2022 to the Shareholders whose names are listed in the register of members of the Company on Monday, 30 May 2022, in an aggregate of approximately RMB229.86 million. 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 Wednesday, 23 March 2022. 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 Tuesday, 17 May 2022 to Friday, 20 May 2022, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the AGM to be held on Friday, 20 May 2022. The Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 16 May 2022 (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 Monday, 16 May 2022.

The register of members of the Company will also be closed from Thursday, 26 May 2022 to Monday, 30 May 2022, 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 Monday, 30 May 2022 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 Wednesday, 25 May 2022.

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 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

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

Hong Kong, 23 March 2022

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.