Zhou Hei Ya International Holdings Company Limited
周黑鴨國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1458)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		Period-over-Period
	2023	2022	**Change**
	RMB'000	RMB'000	**%**
Revenue	**1,414,764**	1,181,078	19.8
Gross profit	**742,813**	671,529	10.6
Profit before tax	**147,396**	44,597	230.5
Profit for the period attributable to owners of the parent	**101,742**	18,377	453.6

OPERATIONAL HIGHLIGHTS

The table below sets forth certain key operational information of the Group's self-operated and franchised retail store network for the periods indicated.

	As of June 30, / For the six months ended June 30,	
	2023	2022
Total number of retail stores	**3,706**	3,160
Total sales volume (tons)	**15,791**	13,794
Average spending per purchase order (RMB)	**62.01**	59.13

The following table sets forth the revenue contribution in terms of the Group's main product categories and service for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
Ducks and duck part products	**1,108,439**	**78.3**	929,121	78.7
Other products[(1)]	**287,194**	**20.3**	235,583	19.9
Franchise fees[(2)]	**19,131**	**1.4**	16,374	1.4
Total	**1,414,764**	**100.0**	1,181,078	100.0

(1) Other products mainly include braised red meat, braised vegetable products, other braised poultry and aquatic products.

(2) Include revenue generated from franchisees in connection with upfront franchise fees and brand royalty fees, and exclude revenue from sales of products to franchisees.

The table below sets forth the revenue contribution by the Group's sales channels for the periods indicated.

	For the six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
Self-operated retail stores[(1)]	**751,035**	**53.1**	580,947	49.2
Online channels	**214,406**	**15.2**	225,634	19.1
Franchisees[(2)]	**408,366**	**28.9**	334,288	28.3
Others[(3)]	**40,957**	**2.8**	40,209	3.4
Total	**1,414,764**	**100.0**	1,181,078	100.0

(1) Include revenue derived from online ordering and delivery services, products sold are typically picked up at the designated retail stores. Revenue derived from online ordering and delivery services accounted for approximately 20.1% and 26.5% of the revenue from self-operated retail stores in the six months ended June 30, 2023 and 2022, respectively.

(2) Primarily include revenue generated from franchisees in connection with sales of products, upfront franchise fees and brand royalty fees.

(3) Primarily include revenue generated from distributors.

INTERIM DIVIDEND

The Board declared an interim dividend of HK$0.12 per ordinary share of the Company (equivalent to RMB0.11 per share), amounting to a total of approximately RMB263,119,000.

The board (the “**Board**”) of directors (the “**Directors**”) of Zhou Hei Ya International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2023 (the “**Reporting Period**”). The Interim Results have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Interim Results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

BUSINESS OVERVIEW AND OUTLOOK

Market Overview

In 2023, with the full resumption of economic activities and social operations in China and the effectiveness of macro-economic policies, previously suppressed consumer demand has been released, showcasing an upturn in the overall economy. However, the economic recovery in China is still in its early stage, the recovery trend is uneven among different industries, and the foundations of economic recovery can be further improved, posing a relatively great challenge to enterprises in production and operation.

Residents’ consumption habits and channels of consumption have changed greatly during the past three years. On the one hand, consumption upgrades and downgrades coexisted, and consumers returned to consumptions that are rational and planned. When selecting products and making lifestyle choices, consumers are more inclined to be pragmatic and prefer the choices that are more affordable and offer the best value for their money. On the other hand, online and offline channels became more integrated, complex and diversified. There is a trend of creating closed loops with offline experiences + online marketing centered on consumer experience. The “offline + online channels”, “all-inclusive + private exclusive domains”, and “short-video + live-streaming” all became notable new consumption channels.

2023 is the year of the stable recovery of the consumer industry. It is also a critical moment for rebuilding consumer confidence. Enterprises need to face the changes in consumption concepts and channels after the COVID-19 pandemic and gain in-depth insights into consumer demand based on changes in consumer preferences and market trends. In the meantime, enterprises should re-consider the logic of sales growth to capture the real growth drivers, re-evaluate the sustainability of brand value and establish the new perspectives that lead to foreseeable long-term growth across cycles in order to overcome challenges and achieve sustainable development.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

Retail Store Network Expansion and Optimization

With the gradual recovery of consumption in the first half of 2023, the Group continued to promote the dual-drive mode of "self-operation + franchise", and increased the density of stores nationwide, further enhancing its brand penetration. Rather than focusing purely on expanding the number of stores, we placed more emphasis on the quality of the store opening and continued to enhance the quality of stores according to the changes in the market circumstances. On the one hand, we discovered high-quality sites and strictly complied with the standards and requirements for site selection, so as to ensure the success rate of new stores. On the other hand, in order to continuously enhance the operation of stores, we improved the mechanism for monitoring the operation of stores, closely tracked and regularly analyzed the performance of stores, and formulated improvement plans. As of June 30, 2023, the Group had a total of 3,706 stores, including 1,542 self-operated stores and 2,164 franchised stores, covering 339 cities in 28 provinces, autonomous regions and municipalities in China.

The table below sets forth a breakdown of the number of self-operated and franchised stores by geographic location and the revenue contribution for the periods indicated:

Number of Retail Stores

	As of June 30,			
	2023		2022	
	#	**%**	#	%
Central China[1]	**1,584**	**42.7**	1,445	45.7
Southern China[2]	**666**	**18.0**	558	17.7
Eastern China[3]	**504**	**13.6**	384	12.2
Northern China[4]	**542**	**14.6**	455	14.4
Western China[5]	**410**	**11.1**	318	10.0
Total	**3,706**	**100.0**	3,160	100.0

Revenue

	For the six months ended June 30,			
	2023		2022	
	RMB'000	%	RMB'000	%
Central China[1]	**634,287**	**54.7**	488,835	53.4
Southern China[2]	**194,379**	**16.8**	171,434	18.7
Eastern China[3]	**136,462**	**11.8**	93,957	10.3
Northern China[4]	**115,796**	**10.0**	95,630	10.4
Western China[5]	**78,477**	**6.7**	65,379	7.2
Total	**1,159,401**	**100.0**	915,235	100.0

(1) Comprises Hubei Province, Hunan Province, Henan Province, Jiangxi Province, Anhui Province and Shanxi Province.

(2) Comprises Guangdong Province, Fujian Province and Hainan Province.

(3) Comprises Shanghai, Jiangsu Province and Zhejiang Province.

(4) Comprises Beijing, Tianjin, Inner Mongolia Autonomous Region, Liaoning Province, Hebei Province, Shandong Province, Ningxia Hui Autonomous Region, Gansu Province and Jilin Province.

(5) Comprises Chongqing, Sichuan Province, Shaanxi Province, Guizhou Province, Yunnan Province, Qinghai Province and Guangxi Zhuang Autonomous Region.

The table below sets forth a breakdown of the number of self-operated and franchised stores by classification for the periods indicated:

	As of June 30,							
	2023				2022			
	Self-operated retail stores		**Franchised stores**		Self-operated retail stores		Franchised stores	
	#	%	#	%	#	%	#	%
Transportation hubs[1]	**157**	**10.2**	**67**	**3.1**	131	9.8	50	2.8
Shopping zones, Commercial complexes and Supermarkets	**847**	**54.9**	**1,385**	**64.0**	764	56.9	1,286	70.7
Communities	**222**	**14.4**	**638**	**29.5**	136	10.1	425	23.4
Others[2]	**316**	**20.5**	**74**	**3.4**	311	23.2	57	3.1
Total	**1,542**	**100.0**	**2,164**	**100.0**	1,342	100.0	1,818	100.0

(1) Include stores located in airports and train stations.

(2) Include stores located in metro stations, school campuses, sightseeing points, bus terminals and service areas.

To cope with opportunities and challenges in the market circumstances in 2023, the Group made targeted arrangements according to the evolving trend of different channels and continued to optimize and upgrade the structure of its store network. In terms of transportation hubs, to capture the rapid recovery of consumer traffic and the gradual restoration of consumption scenarios, the Group strategically planned and actively opened new stores in superior sites and further enhanced and solidified its channel advantages. As of June 30, 2023, the Group recorded a net increase of 46 stores located in transportation hubs, as compared to December 31, 2022. In terms of shopping zones, commercial complexes and supermarkets, there is still a large space for the Group to expand, and the Group continued to increase the density of stores through gaining a holistic understanding of the relevant areas and building business alliances. As of June 30, 2023, the Group recorded a net increase of 133 stores located in shopping zones, commercial complexes and supermarkets, as compared to December 31, 2022. In terms of community market, the Group has great potential for future expansion and continuously summarized our valuable experience in site selection for high-quality community stores during the Reporting Period. Thus, the Group continued to develop nationwide. In the meantime, considering the changes in the market environment and consumption trends, the Group will adjust its annual target for launching new community stores accordingly. As of June 30, 2023, the Group had a total of 860 community stores.

The Group has always adhered to the concept of empowering the success of franchisees and continued to promote the policy of "community of common future", with a view to empowering the sustainable development of franchisees and achieving mutual long-term cooperation. In the first half of 2023, the Group has formulated and implemented the training plan for leading customers, and held the leader summit of single-store franchisees in April 2023. The summit encouraged capable single-store franchisees to establish a sound and balanced investment portfolio while expanding the number of stores, which received their positive responses. In addition, the Group continued to improve the franchisee development management system, properly carried out franchisee management and conducted regular surveys to collect feedback, which was highly recognized by the franchisees.

Diversified Access to Consumers

In the past three years, consumers have gradually formed the habit of online shopping, and online and offline integration has also accelerated. In 2023, the Group continued to focus on the healthy growth of all channels. Under the guidance of "ubiquitous scenarios, accessible products and freewheeling consumers", the Group continued to improve the strategic layout of its channels to achieve multi-channel synergy and targeted access to consumers through all channels.

In the first half of 2023, the Group continued to refine the operations of its online ordering and delivery business, and strengthened the management and execution of terminal sales to implement tailored management of different scenarios and time periods. The strategies of customized scenario-based products and tailored time-period-based operations were adopted to boost the growth of online ordering and delivery business. In the first half of 2023, approximately 1,500 stores extended their business hours, achieving a terminal sales amount (including tax) during late-night hours of RMB57.0 million. In the first half of 2023, terminal sales (including tax) of online ordering and delivery of the Group's stores amounted to RMB388.0 million.

Meanwhile, in response to the impact of external conditions on offline channels and changing channel trends, the Group accelerated its penetration into emerging channels to meet the demand of consumers for convenient shopping. In community fresh grocery channel, the Group continued to optimize its channel strategy and promoted business growth through enhancing the exposure of platform resources, adding new SKUs that are consistent with the position of platforms, and shortening the delivery time and extending shelf life. In the first half of 2023, sales (including tax) of the community fresh grocery channel amounted to approximately RMB75.0 million. In addition, in content e-commerce platforms with a focus on live-streaming sales, the Group continued to optimize the matrix of three contents, namely "KOL live-streaming, brand live-streaming and selective alliance", to continuously enhance brand exposure and reach more consumers. At the same time, the Group also made arrangements for "Douyin life services" to integrate online and offline scenarios and to empower stores through combining online consumer traffic with in-store experience.

Product Innovation and Brand Marketing

In order to meet consumer needs, the Group followed market trends, continuously improved its product portfolio, diversified product categories, and expanded its product matrix. Insisting on the strategy of promoting brands with products and accelerating the brand rejuvenation based on products, the Group has established the unified national marketing and promotion system with "one voice, one image, one Zhou Hei Ya", and deepened brand image and consumer awareness in a holistic way through the data-centered integrated marketing system.

In terms of product innovation, the Group further reached more consumer groups through continuously promoting products with new tastes, new categories and new prices. At the beginning of 2023, the Group launched the slightly spicy series to cover more mainstream customers who "wants to satisfy appetite, but cannot tolerate heavy spicy taste", thus meeting the needs of consumer groups and receiving high recognition from consumers. In the first half of 2023, terminal sales (including tax) of the Group's slightly spicy series amounted to approximately RMB300.0 million. The Group also continued to expand its non-duck products and to promote the signature crayfish ball products by expanding its offerings of spicy and barbecue flavors to meet the diversified tastes of more consumers. In the first half of 2023, terminal sales (including tax) of the crayfish ball products amounted to over RMB120.0 million. In the meantime, the Group continued to explore, optimize and upgrade the research and development of new products in line with the trend of cost-effective consumption. A series of single products were launched. These products are priced at a new price range of RMB9.9 and attracted consumers to enter stores, which allows the Group to tap into more market potential. In particular, sales of the sweet and spicy chicken drumsticks exceeded 960,000 boxes within two months after launch. In the first half of 2023, the Group's terminal sales (including tax) of new products (within one year after launch) accounted for over 20% of the Group's total terminal sales.

In terms of brand marketing, in line with the strategies of diversified products and brand rejuvenation, the Group worked with the "Honor of Kings" (王者榮耀) to introduce game-themed crayfish ball products for their overlapping users. Relying on the cooperative and limited edition of new flavors and game-themed stores as well as a series of offline activities, the Group has reached more young consumers of Generation Z. In addition, to keep up with changes in consumer habits and preferences and market trends, the Group continued to actively make arrangements in short videos and live-streaming and intensified content promotion activities on Douyin (抖音), Xiaohongshu (小紅書), Weibo (微博) and other social platforms that are popular among young people. As a result, the Group deepened and expanded its popularity on such platforms, enhanced its brand recognition, empowered its brand growth, and effectively boosted sales.

Supply Chain Optimization

At the beginning of 2023, due to the insufficient supply of raw materials and the surging demand, the prices of major raw materials of the Group continued to rise, far exceeding the average of previous years, leading to a sharp rise in the pressure in terms of costs. Against this backdrop, the Group continued to reduce costs and increase efficiency by optimizing all aspects of the supply chain, to hedge against the impact of the increase in raw material costs on the gross profit margin.

"Quality improvement, supply assurance, cost reduction and efficiency enhancement" remained the Group's key policy in building a flexible supply chain. On the one hand, in response to rising raw material prices, the Group maintained and improved the quality control of raw materials, and dynamically monitored all production processes through digital and intelligent measures, to continuously improve product quality. On the other hand, the Group continued to apply digital and automated logistics management systems such as sorting automation, Transportation Management System ("**TMS**") and Warehousing Management System ("**WMS**"), and upgraded its dynamic route planning for warehouse allocation as well as transportation models based on "main, branch and matching" lines, thereby further optimizing its agile logistics system. In addition, in terms of reducing costs and increasing efficiency, the Group continued to implement the full-chain management of procurement, production, warehousing and sales. Relying on the "optimized volume-price forecast model", "frequent production, supply and marketing coordination meetings" and "refined energy consumption management matrix", the Group continued to improve and adjust product portfolio and promotion plans and optimize production costs through more accurate procurement decisions.

In terms of production capacity, the Group continued to make overall arrangements around the five major processing facilities in China. At present, the Group has four processing facilities at a cleanroom classification standard of 100,000-class with high automation in northern, central, southern and eastern China. The processing facility in western China is expected to be put into operation in the second half of 2023, and the five major processing facilities will jointly cover China, which will be sufficient to support the Group's front-line business needs and help to enable flexible deployment to improve the efficiency of delivery to stores. In addition, the Group actively explored the use of renewable energy, expanded the proportion of green energy, and accelerated the low-carbon green transformation. In the first half of 2023, the Group started grid-connected photovoltaic power generation projects in four major industrial parks, which accelerated the green transformation of the Group.

Industry and Business Outlook

The global economic recovery has shown significant diversification since 2023, leading to uneven trends for different economies and industries. There are also uncertainties in the recovery of domestic economy. However, due to the impact of the low base figures, the diversified development of retail channels and the implementation of policies to promote consumption, the consumer market is likely to reverse the sluggish trend and achieve a stable recovery in the future. In the long term, the economy of China enjoys strong resilience, great potential and great vitality, and the Group also believes that the economy of China will sustain its stable and long-term growth.

The Group expects that the overall recovery of consumption still faces challenges in the short term due to the insufficient consumer confidence and strong uncertainties of the consumer market. Although the price of raw materials has dropped since the second quarter of 2023, it is still in a historically high position. As a result, as expected by the Company at the beginning of the year, the increased raw material costs and the expected higher cost payment from the establishment of a new processing facility in Chengdu may affect the profit of the Group. However, the Group believes that the whole consumer market will gradually recover in the mid-to-long term amidst fluctuations and grow steadily despite difficulties. The Group has continuously explored over the past three years and has identified the direction and strategies for future sustainable growth and accelerated the flexible development of each business. In the future, the Group continues to solidify its advantages in high-potential channels to improve the operation quality of the stores, and will continuously explore new development paths for consumption scenarios, such as the community rigid demand, and nurture sub-brands more suitable for community scenarios, in order to create new growth poles, hoping to identify foreseeable business growth and achieve long-term sustainable development despite evolving uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's unaudited consolidated statements of profits or loss and other comprehensive income in absolute amounts and as percentage of the Group's total revenue for the periods indicated, together with the change of the six months ended June 30, 2023 over the six months ended June 30, 2022 (expressed in percentages).

	For the six months ended June 30,				Period-over-Period Change
	2023		2022		
	RMB'000	**%**	RMB'000	%	%
Revenue	**1,414,764**	**100.0**	1,181,078	100.0	19.8
Cost of sales	**(671,951)**	**(47.5)**	(509,549)	(43.1)	31.9
Gross profit	**742,813**	**52.5**	671,529	56.9	10.6
Other income and gains, net	**53,256**	**3.8**	20,583	1.7	158.7
Finance costs	**(14,223)**	**(1.0)**	(31,282)	(2.6)	(54.5)
Selling and distribution expenses	**(474,075)**	**(33.5)**	(505,221)	(42.8)	(6.2)
Administrative expenses	**(160,140)**	**(11.3)**	(134,873)	(11.4)	18.7
Share of profits and losses of associates	**(235)**	**0.0**	23,861	2.0	(101.0)
Profit before tax	**147,396**	**10.4**	44,597	3.8	230.5
Income tax expense	**(45,654)**	**(3.2)**	(26,220)	(2.2)	74.1
Profit for the period	**101,742**	**7.2**	18,377	1.6	453.6
Attributable to:					
Owners of the parent	**101,742**	**7.2**	18,377	1.6	453.6
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted earnings per share (RMB)	**0.04**		0.01		344.9
Net profit margin		**7.2**		1.6	
OTHER COMPREHENSIVE INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations	**9,758**	**0.7**	(13,047)	(1.1)	(174.8)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**9,758**	**0.7**	(13,047)	(1.1)	(174.8)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**6,702**	**0.5**	32,559	2.8	(79.4)

	For the six months ended June 30,				Period-over-Period Change
	2023		2022		
	RMB'000	**%**	RMB'000	%	%
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**6,702**	**0.5**	32,559	2.8	(79.4)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**16,460**	**1.2**	19,512	1.7	(15.6)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**118,202**	**8.4**	37,889	3.2	212.0
Attributable to:					
Owners of the parent	**118,202**	**8.4**	37,889	3.2	212.0

Revenue

The Group's total revenue increased by approximately 19.8% from RMB1,181.1 million for the six months ended June 30, 2022 to RMB1,414.8 million for the six months ended June 30, 2023, primarily due to the fact that during the Reporting Period, with the recovery of the economy and of the consumer market, the business of offline stores gradually recovered, resulting in an increase in sales and a subsequent increase in revenue.

Cost of Sales

Cost of sales increased by approximately 31.9% from RMB509.5 million for the six months ended June 30, 2022 to RMB672.0 million for the six months ended June 30, 2023, primarily due to the increase in customer traffic and the corresponding increase in sales. Meanwhile, due to the significant increase in the price of raw materials, the Company faced a substantial challenge in the raw material costs.

Gross Profit and Gross Profit Margin

As a result of the foregoing as well as due to the fact that the sales in the first half of 2023 increased as compared to the same period in 2022, gross profit subsequently increased; however, the price of the raw and auxiliary materials increased significantly, leading to an increase in cost and a decrease in gross profit margin. The Group's gross profit increased by 10.6% from RMB671.5 million for the six months ended June 30, 2022 to RMB742.8 million for the six months ended June 30, 2023. The Group's gross profit margin decreased from 56.9% for the six months ended June 30, 2022 to 52.5% for the six months ended June 30, 2023.

Other Income and Gains, Net

The Group's other income and gains, net increased by 158.7% from RMB20.6 million for the six months ended June 30, 2022 to RMB53.3 million for the six months ended June 30, 2023, which was primarily due to (i) an increase of RMB15.8 million in interest income from bank deposits; (ii) an increase of RMB7.9 million in fair value gain/(loss) on structured deposits measured at fair value through profit or loss ("**FVTPL**") and other financial assets measured at FVTPL; (iii) an increase of RMB29.8 million in gain/(loss) on foreign exchange differences; (iv) an increase of RMB7.2 million in interest income from structured deposits measured at FVTPL and other financial assets measured at FVTPL; and (v) an increase of RMB15.3 million from the gain/(loss) on changes in the fair value of Convertible Bonds, partially offset by a decrease of RMB8.3 million in gain from early redemption of Convertible Bonds and a decrease of RMB29.9 million in government grants.

Finance Costs

The finance costs of the Group decreased by 54.5% from RMB31.3 million for the six months ended June 30, 2022 to RMB14.2 million for the six months ended June 30, 2023, mainly attributable to the fact that the Convertible Bonds of a principal amount of HK$246 million were redeemed in the first half of 2023, resulting in a decrease in interest expense.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 6.2% from RMB505.2 million for the six months ended June 30, 2022 to RMB474.1 million for the six months ended June 30, 2023. The decrease was mainly due to a decrease in costs of transportation, costs of material consumption as well as a decrease in the depreciation of right-of-use assets.

Administrative Expenses

The Group's administrative expenses increased by approximately 18.7% from RMB134.9 million for the six months ended June 30, 2022 to RMB160.1 million for the six months ended June 30, 2023. The increase was mainly due to the further implementation of the Group's employee incentive plan, and an allowance made for credit losses.

Shares of Profits and Losses of Associates

For the six months ended June 30, 2023, the Group incurred share of loss of associates of RMB0.2 million, mainly due to the Group's gain on investment in associates being offset by the investment loss resulting from administration expenses due to investments in funds.

Profit Before Tax

As a result of the foregoing, the Group recorded profit before tax of RMB147.4 million for the six months ended June 30, 2023, representing an increase of 230.5% from RMB44.6 million for the six months ended June 30, 2022.

Income Tax Expense

The Group incurred income tax expense of RMB45.7 million for the six months ended June 30, 2023, which increased by 74.1% from RMB26.2 million for the six months ended June 30, 2022, as a result of the increased profit recorded for the six months ended June 30, 2023.

Profit for the Period

As a result of the foregoing, the Group recorded net profit of RMB101.7 million for the six months ended June 30, 2023, representing an increase of 453.6% from RMB18.4 million for the six months ended June 30, 2022. The Group's net profit margin increased from 1.6% for the six months ended June 30, 2022 to 7.2% for the six months ended June 30, 2023.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations was a gain of RMB16.5 million for the six months ended June 30, 2023, as compared to a gain of RMB19.5 million for the six months ended June 30, 2022. The Group's exchange differences on translation of foreign operations represented the foreign exchange translation differences as certain overseas subsidiaries use Hong Kong dollars ("**HKD**") as the reporting currency.

Total Comprehensive Income for the Period

As a result of the foregoing, the Group's total comprehensive income for the six months ended June 30, 2023 amounted to RMB118.2 million, representing an increase of 212.0% from RMB37.9 million for the six months ended June 30, 2022.

Liquidity and Capital Resources

During the six months ended June 30, 2023, the Group financed its operations through cash generated from its business operations, the net proceeds received from its Initial Public Offering and the exercise of the over-allotment options on November 30, 2016 (the "**IPO**") and the net proceeds from the issuance of convertible bonds due 2025 in the aggregate principal amount of HK$1,550.0 million, bearing interest at the rate of 1% per annum (the "**2025 Bonds**" or the "**Convertible Bonds**"). The Group intends to finance its expansion and business operation by internal resources and through organic and sustainable growth, as well as to use the net proceeds received from the IPO and the 2025 Bonds.

In November 2020, the Company completed and executed its offering of the 2025 Bonds. Please refer to the announcements of the Company dated October 28, 2020 and November 5, 2020 for more details. The estimated net proceeds from the issuance of the 2025 Bonds, after deducting the relevant commissions and other estimated expenses payable, are approximately HK$1,519.8 million.

During the six months ended June 30, 2023, in accordance with the terms and conditions of the Convertible Bonds, the Company repurchased by installments Convertible Bonds with a principal amount of HK$246,000,000 in total, representing 15.9% of the aggregate principal amount of the Convertible Bonds originally issued. As at the date of this announcement, the aggregate principal amount of the Convertible Bonds remaining outstanding is HK$248,000,000, representing 16.0% of the aggregate principal amount of the Convertible Bonds originally issued. Please refer to the announcements of the Company dated April 3, April 6, April 28 and May 12, 2023 for more details. Please also see "— Other Information — Purchase, Sale and Redemption of Listed Securities" in this announcement.

Capital Structure

As of December 31, 2022, the Group had net assets of RMB4,088.3 million, as compared to RMB4,228.9 million as of June 30, 2023, comprising current assets of approximately RMB2,712.2 million, non-current assets of approximately RMB2,793.3 million, current liabilities of approximately RMB830.5 million and non-current liabilities of approximately RMB446.1 million.

As of December 31, 2022 and June 30, 2023, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**") and HKD, with some denominated in U.S dollars ("**USD**") and a small amount in Euro.

Cash and Bank Balances

As compared with RMB1,245.2 million as of December 31, 2022, the Group had cash and bank balances of approximately RMB1,165.9 million as of June 30, 2023, which consisted of unrestricted cash and bank balances of approximately RMB791.7 million and term deposits of approximately RMB374.2 million.

Financial Risks

The Group is not subject to significant credit risk and liquidity risk. The Group had cash at banks denominated in foreign currencies, which exposed the Group to foreign exchange risk. The Group does not use any derivative contracts to hedge against its exposure to foreign exchange risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Use of Proceeds from the IPO

Net proceeds from the IPO (including the exercise of the over-allotment options on November 30, 2016), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to approximately HK$2,792.3 million, comprising HK$2,428.1 million raised from the Global Offering and HK$364.2 million from the issuance of shares pursuant to the exercise of the over-allotment options, respectively. The remaining balance of the proceeds from the IPO as of December 31, 2022 and June 30, 2023 were RMB217.1 million and RMB207.4 million, respectively.

As announced in the Company's 2019 annual results announcement dated March 31, 2020, the Board has resolved to reallocate the unutilized net proceeds to and increase the portion to be used for the construction and improvement of processing facilities, which also includes the enhancement of the related logistics and storage capacities.

The table below sets forth the use of proceeds by the Group as of June 30, 2023:

	Budget	Amount that had been utilized as of December 31, 2022	Amount that was used for the six months ended June 30, 2023	Remaining balance as of June 30, 2023	Expected timeline of utilization[1]
	RMB million	RMB million	RMB million	RMB million	
Construction and improvement of processing facilities	1,258.3	1,258.3	–	–	Used up
Development of retail network	167.8	167.8	–	–	Used up
Branding image campaigns, including the e-commerce marketing campaigns	394.3	394.3	–	–	Used up
Improvement of research and development	45.2	45.2	–	–	Used up
Acquisition and strategic alliances	145.2	17.9	–	127.3	N/A[2]
Upgrades of information technology systems, including the enterprise resource planning system	96.2	83.6	2.7	9.9	Expected to be used up in two years
General replenishment of working capital	345.2	268.0	7.0	70.2	Expected to be used up in two years
Total	**2,452.2**	**2,235.1**	**9.7**	**207.4**	

Notes:

(1) Based on the Group's current estimates of its business plans and market conditions, and subject to change and adjustment.

(2) The Group expects that the remaining balance will be used in accordance with the intended usage in the coming years as indicated but it is not able to reasonably estimate a detailed timeline of utilization at current stage.

As of June 30, 2023, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

Use of Proceeds from the 2025 Bonds

The Company completed the offering of the 2025 Bonds in November 2020 and the net proceeds from the issuance of the 2025 Bonds, after deducting the relevant commissions and other estimated expenses payable, are approximately HK$1,519.8 million.

The table below sets forth the use of proceeds by the Group as of June 30, 2023:

	Initial budget	Adjusted budget[(1)]	Amount that had been utilized as of December 31, 2022	Amount that was used for the six months ended June 30, 2023	Remaining balance as of June 30, 2023	Expected timeline of utilization[(2)]
	RMB million	RMB million	RMB million	RMB million	RMB million	
Further penetration in existing markets and explore new business opportunities	1,133.4	325.4	279.0	–	46.4	Expected to be used up in two years
Enhancement of product innovation, research and development capabilities	60.0	17.2	–	–	17.2	Expected to be used up in two years
Working capital and for general corporate purposes	50.0	14.3	–	–	14.3	Expected to be used up in two years
Total	**1,243.4**	**356.9**	**279.0**	**–**	**77.9**	

Notes:

(1) The adjustment to budget was due to the Company's partial repurchase of the 2025 Bonds in 2022 and in the six months ended June 30, 2023. For details of the partial repurchase of 2025 Bonds, please refer to the section headed "Purchase, Sale and Redemption of Listed Securities" of this announcement.

(2) Based on the Group's current estimates of its business plans and market conditions, and subject to change and adjustment.

As of June 30, 2023, net proceeds not utilized had been deposited into short-term deposits and money market instruments.

Indebtedness

As of June 30, 2023, the Group had an aggregate bank borrowings of RMB140.0 million, all of which will be due within one year. Such outstanding bank borrowings bear fixed interest rates and are denominated in Renminbi.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. The gearing ratio of the Group decreased from 28.7% as of December 31, 2022 to 23.2% as of June 30, 2023, mainly due to a decrease of RMB366.8 million in the total liabilities of the Company, of which the current liabilities decreased by RMB84.1 million and the non-current liabilities decreased by RMB282.7 million.

Pledged Assets

As of June 30, 2023, the Group did not pledge any of its assets. As of December 31, 2022, the Group had pledged bank deposits of RMB100.0 million, which were pledged for the short-term bank borrowings of RMB100.0 million.

Cash Flows

For the six months ended June 30, 2023, net cash generated from operating activities was approximately RMB156.6 million, compared with net cash generated from operating activities of RMB321.9 million for the six months ended June 30, 2022, which is adjusted for certain non-cash items and profit before tax from non-operating activities such as depreciation of fixed assets, depreciation and amortization of right-of-use assets and land use rights, interest income from bank deposits and interest income from structured deposits, mainly attributable to: (i) RMB147.4 million in profit before tax; (ii) an increase of RMB31.9 million in inventory; (iii) a decrease of RMB11.1 million in other payables and accruals; (iv) a decrease of RMB39.3 million in trade payables of the year; (v) an increase of RMB17.3 million in trade receivables of the year; and (vi) an increase of RMB18.3 million in prepayments, other receivables.

For the six months ended June 30, 2023, net cash generated from investing activities was approximately RMB376.8 million, compared with RMB368.6 million for the six months ended June 30, 2022, which was mainly attributable to (i) purchases of structured deposits and other financial assets at fair value through profit or loss in the aggregate amount of RMB860.0 million; (ii) purchases of items of property, plant and equipment and intangible assets in the aggregate amount of RMB59.7 million; (iii) proceeds from disposal of other financial instruments at fair value through profit or loss of RMB440.1 million; (iv) proceeds from disposal of structured deposits of RMB420.0 million; and (v) a decrease in term deposits of maturity over three months of RMB383.5 million.

For the six months ended June 30, 2023, net cash used in financing activities was approximately RMB241.5 million, compared with RMB341.6 million for the six months ended June 30, 2022, which was mainly attributable to (i) a decrease in pledged bank deposits of RMB100.0 million; (ii) repurchase of Convertible Bonds of RMB224.5 million; and (iii) lease rental payments of RMB106.7 million.

Structured Deposits and Financial Assets Measured at FVTPL

The Group from time to time invests in asset management products, primarily structured deposits and other financial assets measured at FVTPL, in order to better facilitate its cash management. Structured deposits were principal-protected products which typically had a fixed short term and may be redeemed upon at their respective expiry dates. The Group's other financial assets measured at FVTPL were mainly investments in equity funds, which generally are not principal-protected nor return-guaranteed. Such investments also typically have a fixed short term and are relatively low risk in nature. As of June 30, 2023, the Group had a balance of structured deposits and other financial assets measured at FVTPL in the amount of approximately RMB1,141.5 million. Up to the date of this announcement, approximately RMB30.2 million out of the RMB1,141.5 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits were primarily short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in China, which were very liquid with a relatively short term of maturity, and which were considered akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. For the six months ended June 30, 2023, interest income from structured deposits and other financial assets measured at FVTPL amounted to RMB17.5 million, as compared to approximately RMB10.3 million for the six months ended June 30, 2022.

The Group has implemented capital and investment policies to monitor and control the risks relating to its investment activities. The Group may only make investments in asset management products when it has surplus cash. The Group is only entitled to invest in low-risk products issued by qualified commercial banks or other financial institutions, and investments should be non-speculative in nature. The Group's capital and investment policies also specify the criteria for selecting investments to be considered and the detailed review procedures each proposed investment shall go through.

In view of an upside of earning a relatively higher return than current saving or fixed deposit rate, as well as the principal-protected nature and a relatively short term of maturity of the structured deposits, the Directors are of the view that the structured deposits pose little risk to the Group and the terms and conditions of each of the structured deposits are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Capital Expenditure

The Group's capital expenditures amounted to RMB59.7 million for the six months ended June 30, 2023, mainly in connection with the establishment and improvement of processing facilities. The Group financed its capital expenditures primarily with cash generated from business operations and the net proceeds from the IPO.

Contingent Liabilities and Guarantees

As of June 30, 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against it.

Major Investment

The Group did not conduct any material investments, acquisitions or disposals in the six months ended June 30, 2023 and in the period subsequent to June 30, 2023 and up to August 16, 2023, being the date of this announcement.

In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated November 1, 2016, the Group has no specific plan for major investment or acquisition for major assets or other business. However, the Group will continue to identify new opportunities for business development.

Restricted Share Unit Scheme

The Company adopted its Restricted Share Unit Scheme (the “**RSU Scheme**”) on July 25, 2018. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of the Group for their contribution to the Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests of the Company. The Board has the power to administer the RSU Scheme. The Board may, from time to time and at its sole discretion, select any eligible person, as defined in the RSU Scheme, to participate in the RSU Scheme and determine the number of Shares to be granted and the terms and conditions of the grant.

As of the date of this announcement, pursuant to the RSU Scheme, 294 selected persons had received the RSUs representing 43,823,189 shares of the Company with par value of US$0.000001 each, of which (i) two selected persons who are directors of the Company had received RSUs representing 8,719,180 shares; and (ii) 292 selected persons who are employees of the Group had received RSUs representing 35,104,009 shares. The underlying shares concerned represented 1.8% of the Company’s issued shares.

Please refer to the Company’s announcements dated July 25, 2018, July 31, 2018, October 24, 2018 and July 5, 2021 for a detailed summary of its RSU Scheme and the announcements dated April 20, 2020, February 1, 2021, March 25, 2021, March 31, 2022 and April 3, 2023, for the details in connection with the grants of the RSUs.

Turnover Ratios

Average inventory turnover days decreased from 93.9 days for the six months ended June 30, 2022 to 79.5 days for the six months ended June 30, 2023, primarily due to the recovery of transportation in the first half of 2023, the acceleration of transfer of fresh preserved product, resulting in a higher inventory turnover rate.

Average trade receivables turnover days decreased from 11.5 days in the six months ended June 30, 2022 to 7.8 days in the six months ended June 30, 2023, primarily due to the increase in sales, resulting in an increase in sales revenue, and an expedited collection of receivables.

Average trade payables turnover days decreased from 27.0 days for the six months ended June 30, 2022 to 23.5 days for the six months ended June 30, 2023, primarily because operating cost increased by 32% as compared to the same period of 2022, and average payable balance increased by 15% as compared to the same period of 2022, resulting in a decrease in turnover days.

Employee and Labor Cost

As of June 30, 2023, the Group had a total of 4,288 employees, among which approximately 61.5% were retail store operations and sales staff and approximately 21.9% were manufacturing staff at its processing facilities.

The Group has developed a performance evaluation system to assess the performance of its employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Sales and marketing personnel may also receive bonuses based on the sales targets they accomplish, by taking into account the overall sales performance of the stores in the same regional market in the relevant period.

For the six months ended June 30, 2023, the Group incurred total labor costs of RMB280.2 million, representing approximately 19.8% of total revenue of the Group over the same period.

Top Suppliers and Top Customers

For the six months ended June 30, 2023, purchases from the Group's largest duck supplier in terms of RMB amount accounted for approximately 4.6% of total purchase cost and the aggregate purchases from its top five duck suppliers in terms of RMB amount in aggregate accounted for approximately 17.8% of total purchase cost.

For the six months ended June 30, 2023, due to the nature of the Group's business, revenue derived from its top five customers accounted for less than 30% of total revenue.

Reserves

As of June 30, 2023, the Group's reserves available for distribution to shareholders of the Company amounted to approximately RMB1,212.5 million.

Subsequent Events

On August 16, 2023, the Board declared an interim dividend of HK$0.12 per ordinary share of the Company (equivalent to RMB0.11 per share) (the "**2023 Interim Dividend**"), amounting to approximately a total of RMB263,119,000. The 2023 Interim Dividend will be paid on or about Thursday, September 7, 2023 to those shareholders whose name appear on the register of member of the Company on Friday, September 1, 2023.

Save as disclosed above, subsequent to June 30, 2023 and up to August 16, 2023 (being the date of this announcement), no material events were undertaken by the Group.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	2023	2022
		RMB'000	**RMB'000**
		(unaudited)	**(unaudited)**
REVENUE	4	**1,414,764**	1,181,078
Cost of sales		**(671,951)**	(509,549)
Gross profit		**742,813**	671,529
Other income and gains, net	4	**53,256**	20,583
Finance costs		**(14,223)**	(31,282)
Selling and distribution expenses		**(474,075)**	(505,221)
Administrative expenses		**(160,140)**	(134,873)
Share of profits and losses of associates		**(235)**	23,861
PROFIT BEFORE TAX	5	**147,396**	44,597
Income tax expense	6	**(45,654)**	(26,220)
PROFIT FOR THE PERIOD		**101,742**	18,377
Attributable to:			
Owners of the parent		**101,742**	18,377

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

For the six months ended 30 June 2023

	Note	2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	8	**0.04**	0.01
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**9,758**	(13,047)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**9,758**	(13,047)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**6,702**	32,559
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**6,702**	32,559
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**16,460**	19,512
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**118,202**	37,889
Attributable to:			
Owners of the parent		**118,202**	37,889

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023	31 December 2022
		RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,423,205**	1,446,270
Right-of-use assets		**392,570**	438,809
Investment in associates		**634,971**	633,246
Prepayments		**18,130**	29,047
Rental deposits		**89,063**	94,195
Other intangible assets		**15,581**	19,034
Other financial assets at fair value through profit or loss, non-current		**120,000**	120,000
Equity investments designated at fair value through other comprehensive income		**2,500**	2,500
Deferred tax assets		**97,258**	105,106
Total non-current assets		**2,793,278**	2,888,207
CURRENT ASSETS			
Inventories		**312,576**	280,726
Trade receivables	9	**66,242**	56,037
Prepayments, other receivables and other assets		**144,855**	136,066
Structured deposits		**744,904**	307,546
Other financial assets at fair value through profit or loss, current		**276,642**	717,189
Restricted cash		**–**	100,000
Cash in transit		**1,062**	700
Cash and bank balances		**1,165,931**	1,245,248
Total current assets		**2,712,212**	2,843,512
CURRENT LIABILITIES			
Interest-bearing bank borrowings, current		**140,000**	160,000
Derivative financial instruments		**3,293**	16,857
Trade payables	10	**68,178**	107,444
Other payables and accruals		**373,776**	395,426
Government grants, current		**2,283**	2,283
Lease liabilities, current		**207,980**	199,543
Income tax payable		**34,978**	33,016
Total current liabilities		**830,488**	914,569
NET CURRENT ASSETS		**1,881,724**	1,928,943
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,675,002**	4,817,150

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2023

	Note	30 June 2023	31 December 2022
		RMB'000 (unaudited)	RMB'000 (audited)
NON-CURRENT LIABILITIES			
Convertible Bonds		**230,576**	439,679
Other payables and accruals, non-current		**25,565**	32,850
Deferred tax liabilities		**56,997**	56,134
Government grants, non-current		**48,332**	49,474
Lease liabilities, non-current		**84,622**	150,704
Total non-current liabilities		**446,092**	728,841
Net assets		**4,228,910**	4,088,309
EQUITY			
Equity attributable to owners of the parent			
Share capital	11	**16**	16
Treasury shares		**(298,856)**	(324,459)
Reserves		**4,527,750**	4,412,752
Total equity		**4,228,910**	4,088,309

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 13 May 2015. The registered and correspondence office of the Company is an office of Intertrust Corporate Services (Cayman) Limited, located at One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 11 November 2016 (the "**Listing**").

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the business of casual braised duck related food production, marketing and retailing ("**Zhou Hei Ya Business**") in the mainland of the People's Republic of China (the "**PRC**").

In the opinion of the directors of the Company (the "**Directors**"), the ultimate controlling shareholders of the Company are Mr. ZHOU Fuyu and Ms. TANG Jianfang (together known as the "**Controlling Shareholders**").

In the opinion of the Directors, the ultimate holding company of the Company is Healthy Origin Holdings Limited, which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022. The amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the production, marketing and retailing of casual braised duck-related food. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the production, marketing and retailing of casual braised duck-related food.

Information about geographical area

Since all of the Group's revenue was generated from the production, marketing and retailing of casual braised duck-related food in Mainland China and all of the Group's non-current assets were located in Mainland China, no geographical information in accordance with HKFRS 8 – *Operating Segments* is presented.

Information about major customers

Since none of the Group's sales to a single customer accounted for 10% or more of the Group's total revenue, no information about major customers in accordance with HKFRS 8 – *Operating Segments* is presented.

4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers	**1,414,764**	1,181,078

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000 (unaudited)	RMB'000 (unaudited)
Types of goods or service		
Modified-Atmosphere-Packaged products	**1,212,235**	1,008,533
Vacuum-packaged products	**126,531**	116,617
Franchise fees of retail stores	**19,131**	16,374
Other products	**56,867**	39,554
Total revenue from contracts with customers	**1,414,764**	1,181,078

	For the six months ended 30 June	
	2023	**2022**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Timing of revenue recognition		
Goods transferred at a point in time	**1,395,633**	1,164,704
Service transferred over time	**19,131**	16,374
Total revenue from contracts with customers	**1,414,764**	1,181,078

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	For the six months ended 30 June	
	2023	**2022**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of goods	**30,327**	25,380
Franchise fee	**10,512**	6,934
	40,839	32,314

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of casual braised food

The performance obligation is satisfied upon delivery of the goods and payment is generally settled once the goods are delivered, except for franchisees and distributors, where payment in advance is normally required.

Franchise fees of retail stores

The performance obligation is satisfied over time as services are rendered and advances are normally required before rendering the services. Generally, franchise fee contracts are for periods of more than one year, and the franchise fees are billed according to the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 June are as follows:

	2023	2022
	RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
Amounts expected to be recognised as revenue:		
Within one year	**58,275**	42,763
After one year	**25,565**	37,154
	83,840	79,917

An analysis of other income and gains, net is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
Interest income from bank deposits	**23,941**	8,138
Interest income from structured deposits	**9,908**	5,283
Interest income from other financial assets at FVTPL	**7,637**	5,043
Government grants*	**4,868**	34,721
Fair value (loss)/gain on structured deposits measured at FVTPL	**(2,642)**	1,199
Fair value loss on other financial assets at FVTPL	**(8,345)**	(20,041)
Fair value gain/(loss) on financial instruments – embedded derivative component of Convertible Bonds	**5,442**	(9,870)
(Loss)/gain on disposal of items of property, plant and equipment, net	**(3,371)**	1,706
Gain on disposal of items of right-of-use assets	**3,945**	5,013
Gain/(loss) on foreign exchange differences	**2,140**	(27,701)
Gain from early redemption of Convertible Bonds	**5,194**	13,496
Others	**4,539**	3,596
Total	**53,256**	20,583

* There were no unfulfilled conditions and other contingencies attaching to the government grants that had been recognised.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023	**2022**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Cost of inventories sold	**565,137**	408,956
Depreciation of property, plant and equipment	**61,843**	62,859
Depreciation of right-of-use assets	**103,224**	147,876
Amortisation of other intangible assets	**5,913**	6,210
Auditors' remuneration	**1,200**	1,200
Lease payments not included in the measurement of lease liabilities	**42,537**	28,385
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**213,910**	179,063
Equity-settled share-based payment expense, net	**16,602**	15,344
Pension scheme contributions*	**33,502**	31,603
Other welfare	**15,388**	13,555
	279,402	239,565
Advertising and promotion expenses	**20,403**	18,518
E-commerce and online ordering platform related service and delivery fees	**65,273**	70,005
Fuel cost	**7,045**	7,393
Utility expenses	**18,606**	17,320
Share of profits and losses of associates	**235**	(23,861)
Transportation expenses	**24,966**	45,325
Finance cost	**14,223**	31,282
(Gain)/loss on foreign exchange	**(2,140)**	27,701
Interest income from bank deposits	**(23,941)**	(8,138)
Interest income from structured deposits	**(9,908)**	(5,283)
Interest income from other financial assets at FVTPL	**(7,637)**	(5,043)
Fair value loss/(gain) on structured deposits measured at FVTPL	**2,642**	(1,199)
Fair value loss on other financial assets measured at FVTPL	**8,345**	20,041
Fair value (gain)/loss on derivative instruments – embedded derivative component of Convertible Bonds	**(5,442)**	9,870
Loss/(gain) on disposal of items of property, plant and equipment	**3,371**	(1,706)
Gain from early redemption of Convertible Bonds	**(5,194)**	(13,496)
Impairment of trade receivables	**7,124**	–
Gain on disposal of items of right-of-use assets	**(3,945)**	(5,013)
Government grants	**(4,868)**	(34,721)

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

The major components of income tax expenses are as follows:

	For the six months ended 30 June	
	2023	**2022**
	RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
Current – PRC		
Charge for the year	**34,077**	17,536
Underprovision/(Overprovision) in prior periods	**2,866**	(950)
	36,943	16,586
Deferred tax	**8,711**	9,634
Total tax charge for the period	**45,654**	26,220

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax in the PRC is based on a statutory rate of 25% (2022: 25%) of the assessable profits of the subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law. Hubei Zhou Hei Ya Limited Foods Industrial Park Co., Ltd. is accredited as "High and New Technology Enterprise", and therefore entitled to a preferential income tax rate of 15% for the period ended 30 June 2023. Such qualifications are subject to be reviewed by the relevant tax authority in the PRC for every three years.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (six months ended 30 June 2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2022: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the period.

7. INTERIM DIVIDENDS

The Board of the Company declared an interim dividend of HK$0.12 (six months ended 30 June 2022: Nil) per ordinary share (equivalent to RMB0.11 per share), amounting to approximately a total of RMB263,119,000 for the six months ended 30 June 2023.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,315,356,033 (six months ended 30 June 2022: 2,320,866,746) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the Convertible Bonds (when applicable). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2023	**2022**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**101,742**	18,377
Add: Interest on Convertible Bonds	**5,910**	20,264
Fair value (gain)/loss on the derivative component of the Convertible Bonds	**(5,442)**	9,870
Profit attributable to ordinary equity holders of the parent before interest on Convertible Bonds	**102,210**	48,511
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,315,356,033**	2,320,866,746
Effect of dilution – weighted average number of ordinary shares:		
Restricted share unit scheme	**4,830,748**	4,626,988
Convertible Bonds	**36,494,369**	134,134,615
	2,356,681,150	2,459,628,349
Earnings per share:		
Basic (RMB)	**0.04**	0.01
Diluted (RMB)	**0.04**	0.01

9. TRADE RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Trade receivables	**80,626**	63,297
Less: Impairment provision	**(14,384)**	(7,260)
	66,242	56,037

The ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within 3 months	**60,087**	46,665
3 to 12 months	**3,917**	1,919
Over 1 year	**2,238**	7,453
	66,242	56,037

10. TRADE PAYABLES

The ageing analysis of outstanding trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Within 3 months	**62,169**	104,492
3 to 6 months	**1,493**	1,302
6 to 12 months	**2,982**	809
Over 12 months	**1,534**	841
	68,178	107,444

The trade payables are non-interest-bearing.

11. SHARE CAPITAL

	30 June 2023	31 December 2022
	RMB'000 (unaudited)	RMB'000 (audited)
Authorised:		
50,000,000,000 shares of USD0.000001 each (31 December 2022: 50,000,000,000 shares of USD0.000001 each)	**306**	306
Issued and fully paid:		
2,383,140,500 shares of USD0.000001 each (31 December 2022: 2,383,140,500 shares of USD0.000001 each)	**16**	16

A summary of movements in the Company's share capital is as follows:

	Numbers of shares in issue	Share capital	Treasury shares
			RMB'000
At 31 December 2021 and 1 January 2022 (audited)	2,383,140,500	16	(341,445)
Issue of shares under Exercise of equity-settled share – based payment arrangement	–	–	16,986
At 31 December 2022 and 1 January 2023 (audited)	2,383,140,500	16	(324,459)
Issue of shares under Exercise of equity-settled share – based payment arrangement	–	–	25,603
At 30 June 2023 (unaudited)	2,383,140,500	16	(298,856)

12. EVENTS AFTER THE REPORTING PERIOD

On 16 August 2023, the Board declared an interim dividend of HK$0.12 (six months ended 30 June 2022: Nil) per ordinary share (equivalent to RMB0.11 per share), amounting to approximately a total of RMB263,119,000. Saved as above, subsequent to 30 June 2023 and up to 16 August 2023, being the date of this announcement, no material events were undertaken by the Group.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

On November 5, 2020, the Company issued Convertible Bonds with a principal amount of HK$1,550,000,000, which were listed and traded on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and will mature on November 5, 2025. In 2022, the Group has repurchased the Convertible Bonds with a cumulative total principal amount of HK$1,056,000,000. In the six months ended June 30, 2023, in accordance with the terms and conditions of the Convertible Bonds, the Company repurchased by installments the Convertible Bonds with a principal amount of HK$246,000,000 in total, representing 15.9% of the aggregate principal amount of the Convertible Bonds originally issued. The details of each repurchase of Convertible Bonds are set out below.

On April 3, 2023, the Company repurchased the Convertible Bonds with a principal amount of HK$155,000,000 with the right to convert into 15,484,516 shares of the Company, representing 10.0% of the aggregate principal amount of the Convertible Bonds originally issued. For details, please refer to the Company's announcement dated April 3, 2023.

On April 4, 2023, the Company repurchased the Convertible Bonds with a principal amount of HK$45,000,000 with the right to convert into 4,495,505 shares of the Company, representing 2.9% of the aggregate principal amount of the Convertible Bonds originally issued. For details, please refer to the Company's announcement dated April 6, 2023.

From April 7, 2023 to May 12, 2023, the Company repurchased the Convertible Bonds with an aggregated principal amount of HK$46,000,000 with the right to convert into 4,595,405 shares of the Company, representing approximately 3.0% of the aggregate principal amount of the Convertible Bonds originally issued. For details, please refer to the Company's announcement dated May 12, 2023.

As of June 30, 2023 and at the date of this announcement, the aggregate principal amount of the Convertible Bonds remaining outstanding is HK$248,000,000, representing 16.0% of the aggregate principal amount of the Convertible Bonds originally issued.

Save as disclosed above, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company in the six months ended June 30, 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended June 30, 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific inquiry of all Directors, they have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2023.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors as members, namely Mr. CHEN Chen, Mr. CHAN Kam Ching, Paul and Mr. LU Weidong. Mr. CHEN Chen is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the Interim Results for the six months ended June 30, 2023.

INTERIM DIVIDEND

The Board declared an interim dividend of HK$0.12 per ordinary share of the Company (adopting an exchange rate of HK$1=RMB0.92007, equivalent to RMB0.11 per share) and payable in Hong Kong dollars, amounting to approximately a total of RMB263,119,000. The 2023 Interim Dividend is intended to be paid out of the Company's share premium account.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, August 31, 2023 to Friday, September 1, 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2023 Interim Dividend, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Wednesday, August 30, 2023. The 2023 Interim Dividend will be paid on or about Thursday, September 7, 2023 to those shareholders whose name appear on the register of member of the Company on Friday, September 1, 2023.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhouheiya.cn). The interim report will be dispatched to the shareholders of the Company and will be available on the website of the Hong Kong Stock Exchange and that of the Company in due course.

By order of the Board
Zhou Hei Ya International Holdings Company Limited
ZHOU Fuyu
Chairman

Hong Kong, August 16, 2023

As at the date of this announcement, Mr. ZHOU Fuyu, Mr. ZHANG Yuchen and Mr. WEN Yong are the executive Directors; Mr. PAN Pan is the non-executive Director; and Mr. CHAN Kam Ching, Paul, Mr. LU Weidong and Mr. CHEN Chen are the independent non-executive Directors.