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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

	For the Year Ended December 31,		**Year-on-Year Change**
	2023	2022	
	RMB'000	RMB'000	**%**
Revenue	**2,743,628**	2,343,353	17.1
Gross profit	**1,438,161**	1,289,484	11.5
Profit before tax	**214,149**	54,731	291.3
Profit for the year attributable to owners of the Company	**115,576**	25,283	357.1

OPERATIONAL HIGHLIGHTS

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

	As of December 31,/ Year Ended December 31,	
	2023	2022
Total number of retail stores	**3,816**	3,429
Total sales volume (tons)	**31,453**	27,789
Average spending per purchase order (RMB)	**56.90**	57.90

The following table sets forth the revenue contribution in terms of the Group's main categories for the years indicated.

	Year Ended December 31,			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Ducks and duck part products	**2,120,942**	**77.3**	1,812,346	77.3
Other products [(1)]	**587,481**	**21.4**	497,399	21.2
Franchise fees [(2)]	**35,205**	**1.3**	33,608	1.5
Total	**2,743,628**	**100.0**	2,343,353	100.0

(1) Other products mainly include braised red meat, braised vegetable products, other braised poultry and aquatic food 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 following table sets forth the revenue contribution by the Group's sales channels for the years indicated.

	Year Ended December 31,			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Self-operated retail stores[(1)]	**1,466,122**	**53.4**	1,155,446	49.3
Online channels	**395,972**	**14.4**	417,366	17.8
Franchisees[(2)]	**782,869**	**28.5**	692,812	29.6
Others[(3)]	**98,665**	**3.7**	77,729	3.3
Total	**2,743,628**	**100.0**	2,343,353	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 21.4% and 29.4% of the revenue from self-operated retail stores in 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.

PROPOSED FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.05 per ordinary share of the Company (equivalent to RMB0.045 per share), amounting to approximately a total of RMB108,073,000 and representing approximately 93.5% of the Group's net profit for the year ended December 31, 2023.

The board (the "**Board**") of directors (the "**Directors**") of Zhou Hei Ya International Holdings Company Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2023. The annual 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 (the "**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Market Overview

Looking back to 2023, the global economy saw a gradual recovery amidst ongoing fluctuations. However, emerging challenges such as inflationary pressures, adjustments in monetary policies and geopolitical risks continued to reshape the global industrial landscape and business rules. Despite facing numerous difficulties, China's overall economy demonstrated a sustained growth momentum due to the implementation of a series of policies to stabilize growth.

Although there is an overall upturn in China's consumer market in 2023, the recovery of residents' purchasing power and confidence is still relatively slow, leading to noticeable structural disparities in consumer demand. On one hand, the consumer demand in discretionary spending has slowed down under the backdrop of subdued income expectations, with more prudent consumption preference and pursuing products that are more affordable and offer the best value for their money. On the other hand, as the trend of consumption upgrading persisted, consumers increasingly prioritized the fulfillment of personal value and the satisfaction of inner demand as well as the growing emphasis on experiences and services. Furthermore, with the development of the Internet, the accelerated integration of online and offline channels and the rapid development of emerging social media platforms, the overall shopping experience for consumers also continued to improve.

In the new consumption patterns, companies in the consumer industry must adapt to the industry trend, proactively embrace change and seek for new market opportunities amid pressures and challenges. At the same time, in the face of intricate and ever-evolving economic landscape and increasing industry competition, enterprises should remain committed to a "people-oriented" approach, prioritize core consumer groups and thoroughly understand and satisfy consumers' evolving needs to constantly seek for innovation and growth and capture consumers' attention with innovative, high-quality and distinctive products, achieving long-term sustainable development.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

Retail Store Network Expansion and Optimization

In 2023, the Group continued to promote the "self-operation + franchise" dual-drive model and bolster the market presence of offline stores, and proactively refined its overall operation by optimizing some underperforming stores. As of December 31, 2023, the Group had a total of 3,816 retail stores, including 1,720 self-operated retail stores and 2,096 franchised retail stores, covering 331 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 retail stores and the revenue contribution by geographic location for the years indicated:

Number of Retail Stores

	As of December 31,			
	2023		2022	
	#	**%**	#	%
Central China(1)	**1,685**	**44.2**	1,553	45.3
Southern China(2)	**667**	**17.5**	584	17.0
Eastern China(3)	**561**	**14.7**	454	13.2
Northern China(4)	**473**	**12.4**	490	14.3
Western China(5)	**430**	**11.2**	348	10.2
Total	**3,816**	**100.0**	3,429	100.0

Revenue

	Year Ended December 31,			
	2023		2022	
	RMB'000	**%**	RMB'000	%
Central China(1)	**1,211,535**	**53.9**	971,709	52.6
Southern China(2)	**386,110**	**17.2**	341,493	18.5
Eastern China(3)	**260,403**	**11.6**	211,572	11.4
Northern China(4)	**224,145**	**10.0**	187,204	10.1
Western China(5)	**166,798**	**7.3**	136,280	7.4
Total	**2,248,991**	**100.0**	1,848,258	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, Gansu Province, Ningxia Hui Autonomous Region, 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 retail stores by classification for the periods indicated:

	As of December 31,							
	2023				2022			
	Self-operated retail stores		**Franchised retail stores**		Self-operated retail stores		Franchised retail stores	
	#	%	#	%	#	%	#	%
Transportation hubs[1]	**249**	**14.5**	**70**	**3.3**	121	8.4	57	2.9
Shopping zones, Commercial complexes and Supermarkets	**913**	**53.1**	**1,343**	**64.1**	804	55.6	1,295	65.3
Communities	**243**	**14.1**	**602**	**28.7**	218	15.0	574	28.9
Others[2]	**315**	**18.3**	**81**	**3.9**	303	21.0	57	2.9
Total	**1,720**	**100.0**	**2,096**	**100.0**	1,446	100.0	1,983	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.

Amidst the gradual recovery of consumption, the Group strategically evaluated its position, thereby prioritizing the strategic layout and steady expansion at transportation hubs with high certainty. Leveraging the collective strength of its business resources, the Group actively acquired superior location resources to expand stores, with a view to reinforcing its competitive advantage in transportation hubs. As of December 31, 2023, the Group recorded a total of 319 stores located in transportation hubs, representing a net increase of 141 stores. Due to the evolving business landscape, changes in consumer preferences and shifts of consumer traffic, the consumption in shopping zones, supermarkets, commercial complexes and community channels did not recover as expected, the Group has undertaken further refinement and optimization of its experience in stores' site selection and has conducted careful and prudent evaluation for the opening of new stores, with a focus on areas with higher demand such as high-potential shopping zones and commercial complexes and high-quality communities. Meanwhile, the Group continued to improve its store operation feedback mechanism, conducted regular reviews of operational data, and proactively implemented improvement and optimization measures for low-performing stores to enhance the efficiency of store operations and foster high-quality business growth.

In line with the policy of "Community of Common Future", the Group fully empowered the operation of franchised stores in terms of store operations, marketing promotions, and team training and development. Based on the brand management policy of Zhou Hei Ya and current development plans for franchised stores, the Group refined its management strategy for franchised stores to better support their high-quality development. To cope with the uncertainty of the external environment and the trend towards more rational consumption, the Group, on one hand, devised operational enhancement plans tailored to low-performing stores of franchisees, thus helping franchise partners in overcoming operational challenges. On the other hand, the Group implemented refined management of franchised stores based on the scale and operating results of franchised stores, and provided targeted optimization plans to each franchisee to optimize their store structure, thus achieving long-term sustainable development.

Diversified Access to Consumers

The Group continued to adhere to its concept of "ubiquitous scenarios, accessible products and freewheeling consumers", and actively enhanced its strategic deployment for online and offline collaboration in 2023. In addition to offline stores, the Group leveraged various channels, including online ordering and delivery services, traditional e-commerce platforms, fresh grocery e-commerce platforms, content e-commerce platforms and private domain mini-programs, to meet consumers' multi-dimensional consumption needs across different times and scenarios, thus achieving precise consumer coverage through all channels.

For the year ended December 31, 2023, revenue from the Group's online business, being traditional e-commerce platform, community fresh grocery platform and emerging ecommerce platform such as live-streaming business, accounted for 14.4% of its total revenue. In terms of traditional e-commerce platforms, the increasing shift of traffic to emerging e-commerce platforms and the intensifying competition for existing traffic and resources have significantly impacted the traditional e-commerce platform business. Prioritizing quality and operational efficiency, the Group adopted measures such as adjusting product portfolios, integrating platform resources and exploring incremental scenarios to enhance the expense efficiency and bolster profitability effectively. In terms of community fresh grocery channels such as Pupu Mall, Dingdong and Freshippo, the Group further strengthened resource integration, adjusted product structures to steadily expand its market share through adept traffic acquisition strategies and refined operations. For the year ended December 31, 2023, the sales amount (including tax) of community fresh grocery platform aggregated to approximately RMB148 million. Meanwhile, the Group continued to explore emerging e-commerce channels such as short videos and live-streaming platforms, with a view to continuously improving operational efficiency for sustainable business growth. The Group optimized its live-streaming matrix and consolidated live-streaming channels such as Douyin through self-operated live-streaming and collaborations with top live streamers.

Meanwhile, the Group is responding to changes in consumer trends by actively promoting the accelerated integration of online and offline channels, achieved through delivery services, private domain mini-programs, and lifestyle service platforms such as Douyin and Meituan, leveraging both home delivery and in-store business to boost sales at retails stores. Regarding home delivery services, on the one hand, the Group focused on the resource allocation on key platforms to maximize traffic boosting efficiency; on the other hand, the Group delves into consumer demands, implementing differentiated marketing strategies across different time periods, scenarios and types of store models, including themed operations such as the "Eating Day" on Wednesday, take-out combos, and late-night snack promotions, to solidify the operational foundation of retail stores and enhance consumer experiences. At the same time, the Group utilizes private domain mini-programs to strengthen private traffic operations, optimizing and upgrading the home delivery business on private domain mini-programs to improve customer stickiness and loyalty, providing a powerful means of attracting customers to offline retail stores. For the year ended 2023, the terminal sales amount (including tax) of online ordering and delivery for all retail stores of the Group aggregated to approximately RMB853 million, of which the sales amount (including tax) of terminals during late-night hours aggregated to RMB133 million. Regarding in-store business, the Group utilizes the high-quality "Lifestyle Division of Douyin" (抖音生活服務) and "Meituan Dianping" (美團點評) to funnel traffic, forming a closed-loop connection between interest cultivation, online consumption, and offline transactions, thereby building a new retail ecosystem for retail stores. In 2023, the Group achieved a GMV of approximately RMB80 million, with over 70% of online orders being redeemed in-store.

Product Innovation and Brand Marketing

In 2023, the Group adeptly responded to evolving consumer preferences by gaining more insights on consumers, constantly developing new flavors and categories, and crafting a rich and diverse Zhou Hei Ya product mix to cater to a wide array of consumer needs. Meanwhile, the Group maintained a steadfast focus on consumers and continuously improved consumer experience, thus enhancing its overall brand awareness and influence.

In terms of product research and development, the Group continued to optimize its product structure, horizontally expand categories and flavors, and vertically extend the price range, thereby creating a comprehensive Zhou Hei Ya product matrix. Relying on its full life-cycle new product research and development system, the Group successfully launched products spanning multiple price ranges, categories and channels, so as to broaden its consumer base and bolster the market presence of Zhou Hei Ya. In 2023, the Group concentrated efforts on its premium product series, and developed and launched a new flavor of slightly spicy series, with terminal sales (including tax) of approximately RMB521 million. Meanwhile, the Group also expand the medium and low price ranges, and introduced a series of products at a price range of RMB9.9 to RMB14.9, such as Sweet and Spicy Chicken Drumsticks (Chicken Drumettes) and Dry-fried Spicy Chicken, which resonated strongly with cost-conscious consumers. For the year ended December 31, 2023, the Group's annual number of orders increased over 20% year-on-year. The aggregate monthly sales volume of Sweet and Spicy Chicken Drumsticks (Chicken Drumettes) and Dry-fried Spicy Chicken amounted to approximately 1 million boxes, and the monthly sales amount of products priced less than or equal to RMB14.9 accounted for 17% of the monthly sales amount.

In terms of brand marketing, the Group prioritized consumer demand, centered its focus on products, and aligned marketing and publicity themes, thus deepening the overall brand image and consumer awareness. In 2023, the Group, on one hand, leveraged various online platforms including various online media, short videos and live-streaming platforms, and tailored promotional resources and content based on the characteristics and attributes of consumers on different platforms. Through increasing the frequency of consumer interaction, continuously enhancing brand exposure, amplifying the voice of its brand, the Group gained high online attention and popularity as well as positive market response. On the other hand, the Group launched engaging activities in offline stores such as "Scratch Card" and "Super Wednesday", an exclusive event for brand day, which invigorated consumer participation and purchase interest, and expanded the penetration into diverse consumer groups. Moreover, the Group continued to bolster its brand reputation through cross-border co-branding collaborations with renowned brands, such as "Arena of Valor" (王者榮耀), "*Fix XBody*" of Want Want China and "Harbin Beer" (哈爾濱啤酒).

Supply Chain Optimization

In 2023, the Group anchored its management approach on digital and intelligent empowerment, professional management system, and efficient and agile team, with a sharp focus on resource conservation and efficiency optimization, refined operations, and continuous enhancement of the OCM (Operations and Cost Management) mechanism. Capitalizing on seamless integration and collaboration across the entire supply chain, the Group effectively mitigated cost pressures stemming from escalating raw material prices, achieving a gross profit margin of 52.4%.

With the strategic objective of "supply assurance, quality improvement, cost reduction and efficiency enhancement", the Group continued to firmly promote the implementation of its three core strategies, namely, whole-chain synergy, refined operation and digitalization and upgrading. Through more efficient integration and synergy of the whole chain of production, supply and marketing, we will continue to improve the flexibility of the supply chain and its responsiveness to the demand for product innovation. The Group strengthened the integration of supply chain OCM (Operations and Cost Management) and continued to explore the whole-chain optimization model through fine-tuning product portfolio management and conducting regular profitability reviews and analyses. In terms of procurement, the Group intensified efforts to reduce procurement costs and improve quality by conducting thorough value analyses of the industry chain and optimizing supplier resources. In terms of production, aligned with the requirements of product segmentation and channel diversification, the Group upgraded its standards for refined production to refine products and improve production efficiency. In terms of warehouse and distribution, the Group optimized the resources of logistics and distribution service providers and employed digital and intelligent empowerment to implement dynamic management and refined operations across main lines, branch lines, and urban distribution based on business development. Moreover, the Group integrated the data monitoring and analysis of "consumer feedback from all channels", listening to consumers and identifying user needs in a timely manner and applying them to product quality refinement; with continually updated and consolidated full-link data to enhance data transparency and digital analysis capabilities, which facilitated faster and more accurate demand forecasting, agile supply and quality traceability, thereby fortifying the rapid response and digital and intelligent decision-making capabilities of the supply chain.

In terms of production capacity, the Group continued to make overall arrangements around the five major processing facilities in China and promote the construction, and the processing facility in western China is expected to be put into operation in 2024. By then, the five major processing facilities will cover the whole of China with efficient big data-driven end-to-end collaboration, which will further optimise the supply network, shorten the distribution distance, enhance the efficiency of store services and extend the shelf life of products. Therefore, these processing facilities possess the flexibility to allocate production capacity as needed, thus laying a solid foundation for facilitating the next expansion of stores and ensuring the continuous growth of front-line businesses.

Industry and Business Outlook

Looking forward to 2024, difficulties and challenges will remain, but the general trend of stable economic recovery and long-term improvement will remain unchanged. Looking back on the past years, the consumer industry has weathered numerous challenges and ushered in growth and expansion amidst evolving changes. In the short term, the consumer confidence of residents is still in the process of rebuilding, and the development of the consumer market faces significant uncertainty as well. However, in the medium to long term, the Group believes that the overall consumption environment will gradually rebound amid fluctuations. In the future, the Group will continue to maintain its strategic determination and is prepared to move forward against difficulties and pursue steady expansion. Meanwhile, the Group will uphold a consumer-centric approach and further fortify its products, brands and channels to continuously drive the improvement of both operating efficiency and service quality. In the new consumer landscape, the Group will explore expanding its casual braised and table braised two-in-one store model, further facilitating the store performance improvement. Meanwhile, we will continue to adhere to a long-term perspective and embrace new opportunities and challenges to achieve cross-cycle resilient growth.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year Ended December 31,				Year-on-year Change
	2023		2022		
	RMB'000	**%**	RMB'000	%	%
Revenue	**2,743,628**	**100.0**	2,343,353	100.0	17.1
Cost of sales	**(1,305,467)**	**(47.6)**	(1,053,869)	(45.0)	23.9
Gross profit	**1,438,161**	**52.4**	1,289,484	55.0	11.5
Other income and gains/(losses), net	**98,473**	**3.6**	56,617	2.4	73.9
Finance costs	**(23,640)**	**(0.9)**	(58,403)	(2.5)	(59.5)
Selling and distribution expenses	**(982,970)**	**(35.8)**	(930,509)	(39.7)	5.6
Administrative expenses	**(316,961)**	**(11.5)**	(310,416)	(13.2)	2.1
Share of profits and losses of associates	**1,086**	**0.0**	7,958	0.3	(86.4)
Profit before tax	**214,149**	**7.8**	54,731	2.3	291.3
Income tax expense	**(98,573)**	**(3.6)**	(29,448)	(1.3)	234.7
Profit for the year	**115,576**	**4.2**	25,283	1.0	357.1
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	**(20,758)**	**(0.7)**	(10,390)	(0.4)	99.8
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(20,758)**	**(0.7)**	(10,390)	(0.4)	99.8
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**31,018**	**1.1**	63,097	2.7	(50.8)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**31,018**	**1.1**	63,097	2.7	(50.8)

	Year Ended December 31,				Year-on-year Change
	2023		2022		
	RMB'000	**%**	RMB'000	%	%
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**10,260**	**0.4**	52,707	2.3	(80.5)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**125,836**	**4.6**	77,990	3.3	61.3
Basic and diluted earnings per share (RMB)	**0.05**	**N/A**	0.01	N/A	400.0

Revenue

The Group's total revenue increased by 17.1% from RMB2,343.4 million for the year ended December 31, 2022 to RMB2,743.6 million for the year ended December 31, 2023, which was primarily due to the fact that in 2023, 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 23.9% from RMB1,053.9 million for the year ended December 31, 2022 to RMB1,305.5 million for the year ended December 31, 2023, which was attributable to the increase in sales and, at the same time, the increase in the cost of sales due to the significant increase in the price of raw materials.

Gross Profit and Gross Profit Margin

As a result of the foregoing as well as due to the facts that the sales increased as compared to the same period in 2022, gross profit subsequently increased, the Group's gross profit increased by 11.5% from RMB1,289.5 million for the year ended December 31, 2022 to RMB1,438.2 million for the year ended December 31, 2023. In the year ended December 31, 2023, the Group's gross profit margin was 52.4%, as compared to a gross profit margin of 55.0% in the year ended December 31, 2022.

Other Income and Gains/(Losses), Net

The Group's other income and gains/(losses), net increased by 73.9% from RMB56.6 million for the year ended December 31, 2022 to RMB98.5 million for the year ended December 31, 2023. The increase was primarily due to (i) an increase of RMB111.2 million in gain on foreign exchange differences; (ii) a decrease of RMB42.4 million gain from early redemption of the Convertible Bonds; (iii) a decrease of RMB33.3 million in government grants; (iv) an increase of RMB9.7 million in interest income from bank deposits;and (v) a decrease of RMB5.3 million in interest income from structured deposits measured at fair value through profit or loss (or "**FVTPL**") and other financial assets measured at FVTPL.

Finance Costs

Finance costs decreased by 59.5% from RMB58.4 million for the year ended December 31, 2022 to RMB23.6 million for the year ended December 31, 2023, which was mainly attributable to the fact that the remaining Convertible Bonds were redeemed in 2023, resulting in a decrease in interest expense..

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 5.6% from RMB930.5 million for the year ended December 31, 2022 to RMB983.0 million for the year ended December 31, 2023. The increase was primarily due to an increase in the rent relating to retail stores and the salary and benefits for sales personnel, as the operation of the offline stores of the Group returned to normal, while the number of stores located in transportation hubs increased rapidly.

Administrative Expenses

The Group's administrative expenses increased by 2.1% from RMB310.4 million for the year ended December 31, 2022 to RMB317.0 million for the year ended December 31, 2023, mainly due to an allowance made for credit losses and an increase in administrative expenses due to the preparation work before the processing facility in Sichuan was put into operation.

Share of Profits and Losses of Associates

For the year ended December 31, 2023, the Group incurred share of profits and losses of associates of RMB1.1 million mainly in connection with the 25.00% equity interest in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership), the 33.33% equity interest in Hainan Tiantu Xingzhou Investment Partnership (Limited Partnership), and the 41.61% equity interest in ACCF Ginkgo Capital I L.P, resulting from fair value gains on the associate's investees and partially offset by the administration expenses.

Profit Before Tax

As a result of the foregoing, the Group recorded profit before tax of RMB214.1 million for the year ended December 31, 2023, increased by 291.3% from RMB54.7 million for the year ended December 31, 2022.

Income Tax Expense

Income tax expense increased by 234.7% from RMB29.4 million for the year ended December 31, 2022 to RMB98.6 million for the year ended December 31, 2023, as a result of the increase in profit before tax for the year and the withholding tax of approximately RMB35 million on dividends to be distributed from the domestic subsidiaries of the Group to the Company in consideration of the Group's future capital plan.

Profit for the Year

As a result of the foregoing, the Group's net profit increased by 357.1% from RMB25.3 million for the year ended December 31, 2022 to RMB115.6 million for the year ended December 31, 2023. The Group's net profit margin increased from 1.0% in the year ended December 31, 2022 to 4.2% in the year ended December 31, 2023.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations changed from other comprehensive income of RMB52.7 million for the year ended December 31, 2022 to other comprehensive income of RMB10.3 million for the year ended December 31, 2023, primarily resulting from foreign currency exchange differences since some of the Group's overseas entities use Hong Kong dollar as the reporting currencies.

Total Comprehensive Income for the Year

As a result of the foregoing, the Group's total comprehensive income for the year ended December 31, 2023 increased by 61.3% to RMB125.8 million from RMB78.0 million for the year ended December 31, 2022.

Liquidity and Capital Resources

In the year ended December 31, 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 its IPO.

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.

In 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 and redeemed the Convertible Bonds with a principal amount of HK$248,000,000 in total pursuant to the exercise of the options of the bondholders, representing 15.9% and 16.0% of the aggregate principal amount of the Convertible Bonds originally issued, respectively. As of the date of this announcement, there is no outstanding Convertible Bonds in issue. The Convertible Bonds were delisted from the Stock Exchange on November 15, 2023. Please refer to the Company's announcements dated April 3, 2023, April 6, 2023, May 12, 2023 and November 7, 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, 2023, the Group had net assets of approximately RMB3,935.4 million, as compared to RMB4,088.3 million as of December 31, 2022, primarily comprising non-current assets of RMB2,762.4 million, current assets of RMB2,130.8 million, current liabilities of RMB684.2 million and non-current liability of RMB273.6 million.

As of December 31, 2022 and December 31, 2023, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**") and Hong Kong Dollars ("**HK$**"), 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 deposits of approximately RMB1,074.5 million as of December 31, 2023, which consisted of unrestricted cash and bank balances of approximately RMB277.6 million and term deposits of approximately RMB796.9 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, 2023 was RMB199.8 million.

The table below sets forth the use of proceeds by the Group as of December 31, 2023:

	Budget	Amount that had been utilized as of December 31, 2022	Amount that was used in the year ended December 31, 2023	Remaining balance as of December 31, 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	7.2	5.4	Expected to be used up in one years
General replenishment of working capital	345.2	268.0	10.1	67.1	Expected to be used up in one years
Total	**2,452.2**	**2,235.1**	**17.3**	**199.8**	

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 December 31, 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 December 31, 2023:

	Initial budget	Adjusted budget[(1)]	Amount that had been utilized as of December 31, 2022	Amount that was used in the year ended December 31, 2023	Remaining balance as of December 31, 2023	Expected timeline of utilization
	RMB million	RMB million	RMB million	RMB million	RMB million	
Further penetration in existing markets and explore new business opportunities	1,133.4	279.0	279.0	–	–	used up
Enhancement of product innovation, research and development capabilities	60.0	–	–	–	–	used up
Working capital and for general corporate purposes	50.0	–	–	–	–	used up
Total	**1,243.4**	**279.0**	**279.0**	**–**	**–**	

Notes:

(1) The adjustment to budget was due to the Company's partial repurchase of the 2025 Bonds in 2022 and 2023 and the exercise of options of bondholders to require the Company to redeem all Convertible Bonds held by them. For details of the partial repurchase and redemption of 2025 Bonds, please refer to the section headed "Purchase, Sale and Redemption of Listed Securities" of this announcement.

Indebtedness

As at December 31, 2023, the Group did not have any bank borrowing.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. The Group's gearing ratio decreased from 28.7% as of December 31, 2022 to 19.6% as of December 31, 2023, which was primarily due to the fact that the Group redeemed all remaining Convertible Bonds in 2023.

Pledged Assets

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

Cash Flows

For the year ended December 31, 2023, net cash generated from operating activities decreased to approximately RMB361.2 million from RMB467.6 million for the year ended December 31, 2022, which was mainly attributable to profit before tax of RMB214.1 million, adjusted for certain non-cash items and profit before tax from non-operating activities such as depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, interest income from bank deposits and interest income from structured deposits. Additional factors that affected net cash generated from operating activities included: (i) an increase in profit before tax of RMB159.4 million, while income tax paid decreased by RMB10.1 million; (ii) an increase in inventory of RMB34.6 million mainly due to increased production activities; (iii) an increase of RMB31.3 million in prepayments, other receivables and other assets; (iv) a decrease in other payables and accruals of RMB15.5 million; (v) an increase in trade receivables of RMB15.0 million; and (vi) a decrease in trade payables of RMB11.0 million.

For the year ended December 31, 2023, net cash generated from investing activities was approximately RMB563.2 million, compared with net cash generated from investing activities of RMB1,044.4 million for the year ended December 31, 2022, which was mainly attributable to (i) redemption of structured deposits and other financial assets measured at FVTPL in the aggregate amount of RMB1,882.8 million, (ii) a decrease of term deposits of maturity over three months of RMB71.4 million; and (iii) interest from bank deposits, structured deposits and other financial assets measured as FVTPL of RMB64.7 million, partially offset by (i) purchases of structured deposits and other financial assets at fair value through profit or loss in the aggregate amount of RMB1,376.2 million, and (ii) purchase of items of property, plant and equipment and intangible assets in the aggregate amount of RMB92.4 million.

For the year ended December 31, 2023, net cash used in financing activities was approximately RMB1,046.5 million, compared with RMB1,318.3 million for the year ended December 31, 2022, which was mainly attributable to (i) dividends paid in the amount of RMB258.0 million in 2023; (ii) repurchase of Convertible Bonds RMB465.0 million; (iii) lease rental payments of RMB214.9 million; (iv) proceeds from interest-bearing bank borrowings of RMB60.0 million and repayments of interest-bearing bank borrowings of RMB220.0 million; and (v) repurchases of the Company’s shares of RMB51.7 million.

Structured Deposits and Other 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 December 31, 2023, the Group had a balance of structured deposits and other financial assets measured at FVTPL in the amount of approximately RMB634.7 million. Up to the date of this announcement, approximately RMB300.0 million out of the RMB634.7 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. In the year ended December 31, 2023, interest income from structured deposits and other financial assets measured at FVTPL amounted to RMB28.1 million, as compared to approximately RMB33.4 million in the year ended December 31, 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 RMB92.4 million as of December 31, 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 December 31, 2023, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against it.

Major Investments

The Group did not conduct any material investments, acquisitions or disposals in the year ended December 31, 2023 and in the period subsequent to December 31, 2023 and up to March 27, 2024, 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.

We refer to the announcement of the Company dated April 3, 2023. On April 3, 2023, 16,182,500 of RSUs were granted to 260 selected persons including 2 directors under the Scheme. The vesting is subject to the satisfaction of performance and because such conditions are not satisfied in whole or in part, the RSUs have lapsed automatically in respect of such proportion of underlying shares as have not vested.

As of the date of this announcement, pursuant to the RSU Scheme, 191 selected persons had received the RSUs representing 24,593,693 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 6,188,680 shares; and (ii) 189 selected persons who are employees of the Group had received RSUs representing 18,405,013 shares. The underlying shares concerned represented 1.03% of the Company's issued shares.

Please refer to the Company's announcements dated July 25, 2018, July 31, 2018, October 24, 2018, July 5, 2021 and January 11, 2024 for detailed summaries of its RSU Scheme and the announcements dated April 20, 2020, February 1, 2021, March 25, 2021 and March 31, 2022, for the details in connection with grants of the RSUs.

Turnover Ratios

Average inventory turnover days decreased from 104.4 days in the year ended December 31, 2022 to 83.3 days in 2023, mainly due to the recovery of transportation in 2023, the acceleration of transfer of fresh preserved product, resulting in a higher inventory turnover rate.

Average trade receivables turnover days decreased from 10.1 days in the year ended December 31, 2022 to 7.8 days in the year ended December 31, 2023, primarily due to the increase in sales of the Group, resulting in an increase in sales revenue, and an expedited collection of receivables.

Average trade payables turnover days decreased from 32.1 days in the year ended December 31, 2022 to 28.5 days in the year ended December 31, 2023, primarily due to the rapid consumption of inventory reserves resulting from the increase in sales of the Group, and thus a decrease in turnover days.

Employee and Labor Cost

As of December 31, 2023, the Group had a total of 4,498 employees, among which 62.2% were retail store operations and sales staff and 21.6% 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.

In the year ended December 31, 2023, the Group incurred total labor costs of RMB555.7 million, representing 20.3% of total revenue of the Group.

Top Suppliers and Top Customers

In the year ended December 31, 2023, purchases from the Group's largest duck supplier in terms of RMB amount accounted for 3.6% of total purchase cost and the aggregate purchases from its top five duck suppliers in aggregate accounted for 15.0% of total purchase cost.

Due to the nature of the Group's business, in the year ended December 31, 2023, revenue derived from its top five customers accounted for less than 30% of total revenue.

Reserves

As of December 31, 2023, the Group's reserves available for distribution to shareholders of the Company amounted to approximately RMB948.2 million.

Subsequent Events

Subsequent to December 31, 2023 and up to March 27, 2024 (being the date of this announcement), no material events were undertaken by the Group.

FINANCIAL INFORMATION

The audited consolidated annual results of the Group for the year ended December 31, 2023 are as follow:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	RMB'000
REVENUE	*4(a)*	**2,743,628**	2,343,353
Cost of sales		**(1,305,467)**	(1,053,869)
Gross profit		**1,438,161**	1,289,484
Other income and gains/(losses), net	*4*	**98,473**	56,617
Finance costs	*5*	**(23,640)**	(58,403)
Selling and distribution expenses		**(982,970)**	(930,509)
Administrative expenses		**(316,961)**	(310,416)
Share of profits and losses of associates		**1,086**	7,958
PROFIT BEFORE TAX	*6*	**214,149**	54,731
Income tax expense	*7*	**(98,573)**	(29,448)
PROFIT FOR THE YEAR		**115,576**	25,283
Attributable to:			
Owners of the parent		**115,576**	25,283
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted (RMB)		**0.05**	0.01

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2023

	2023	2022
	RMB'000	RMB'000
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(20,758)**	(10,390)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(20,758)**	(10,390)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**31,018**	63,097
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**31,018**	63,097
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**10,260**	52,707
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**125,836**	77,990
Attributable to:		
Owners of the parent	**125,836**	77,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023	2022
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,391,225**	1,446,270
Right-of-use assets	*10(a)*	**385,213**	438,809
Prepayments, other receivables and other assets		**19,840**	29,047
Rental deposits		**95,175**	94,195
Other intangible assets		**13,266**	19,034
Investments in associates	*11*	**631,501**	633,246
Other financial assets at fair value through profit or loss	*13*	**120,000**	120,000
Equity investments designated at fair value through other comprehensive income		**2,500**	2,500
Deferred tax assets		**103,714**	105,106
Total non-current assets		**2,762,434**	2,888,207
CURRENT ASSETS			
Inventories		**315,320**	280,726
Trade receivables	*12*	**61,260**	56,037
Prepayments, other receivables and other assets		**161,019**	136,066
Structured deposits	*13*	**514,749**	307,546
Other financial assets at fair value through profit or loss	*13*	**–**	717,189
Restricted cash		**4,000**	100,000
Cash in transit		**–**	700
Cash and bank balances		**1,074,477**	1,245,248
Total current assets		**2,130,825**	2,843,512
CURRENT LIABILITIES			
Trade payables	*14*	**96,402**	107,444
Other payables and accruals		**376,102**	395,426
Derivative financial instruments	*15*	**–**	16,857
Interest-bearing bank borrowings	*16*	**–**	160,000
Government grants		**2,283**	2,283
Lease liabilities	*10(b)*	**168,183**	199,543
Income tax payable		**41,214**	33,016
Total current liabilities		**684,184**	914,569
NET CURRENT ASSETS		**1,446,641**	1,928,943
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,209,075**	4,817,150

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT LIABILITIES			
Other payables and accruals		**19,673**	32,850
Convertible bonds	*15*	**–**	439,679
Government grants		**47,191**	49,474
Deferred tax liabilities		**92,165**	56,134
Lease liabilities	*10(b)*	**114,636**	150,704
Total non-current liabilities		**273,665**	728,841
NET ASSETS		**3,935,410**	4,088,309
EQUITY			
Equity attributable to owners of the parent			
Share capital	*17*	**16**	16
Treasury shares	*17*	**(350,181)**	(324,459)
Reserves		**4,285,575**	4,412,752
TOTAL EQUITY		**3,935,410**	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**").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**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 ("**HKICPA**"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for structured deposits, other financial assets at fair value through profit or loss ("**FVTPL**"), equity investment designed at fair value through other comprehensive income ("**FVTOCI**") and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

HKFRS 17	*Insurance Contracts*
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 the 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 consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(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 consolidated financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's consolidated financial statements.

(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 amendments had no impact on the Group's consolidated financial statements. The adoption of amendments to HKAS 12 did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(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 consolidated 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. 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 sale and service of casual braised food. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the sale of casual braised food and the provision of related services.

No operating segments have been aggregated to form the above reportable operating segment.

Information about geographical areas

Since all of the Group's revenue was generated from the production, marketing and retailing of casual braised duck-related food in Chinese Mainland and all of the Group's non-current assets were located in Chinese Mainland, 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/(LOSSES), NET

An analysis of revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	**2,743,628**	2,343,353

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Modified-Atmosphere-Packaged products	**2,388,291**	2,027,998
Vacuum-packaged products	**261,636**	210,271
Franchise fees of retail stores	**35,205**	33,608
Other products	**58,496**	71,476
Total revenue from contracts with customers	**2,743,628**	2,343,353

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

	2023	2022
	RMB'000	RMB'000
Timing of revenue recognition		
Goods transferred at a point in time	**2,708,423**	2,309,745
Service transferred over time	**35,205**	33,608
Total revenue from contracts with customers	**2,743,628**	2,343,353

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:

	2023	2022
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of casual braised food	**28,513**	25,380
Franchise fee of retail stores	**19,737**	13,869
	48,250	39,249

(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 31 December are as follows:

	2023	2022
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**46,531**	48,250
After one year	**19,673**	32,850
	66,204	81,100

4. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET (continued)

An analysis of other income and gains/(losses), net is as follows:

	Notes	2023	2022
		RMB'000	**RMB'000**
Other income			
Interest income from bank deposits		**43,957**	34,276
Interest income from structured deposits		**20,060**	13,796
Interest income from other financial assets at FVTPL		**8,080**	19,606
Interest income from advanced to an associate		**360**	158
Government grants related to assets *(i)*		**2,283**	2,372
Government grants related to income *(ii)*		**10,447**	43,647
		85,187	113,855
Gains/(Loss), net			
Fair value (loss)/gain on structured deposits measured at FVTPL		**(2,796)**	1,421
Fair value loss on other financial assets measured at FVTPL		**(595)**	(6,408)
Fair value loss on financial instruments – embedded derivative component of convertible bonds	*15*	**–**	(2,731)
(Loss)/gain on disposal of items of property, plant and equipment, net		**(3,383)**	1,673
Gain on modification of lease, net	*10*	**16,626**	13,458
Impairment of right-of-use assets	*10*	**(13,784)**	(20,312)
Gain/(loss) on foreign exchange differences, net		**2,166**	(109,074)
Gain from early redemption of convertible bonds		**8,559**	50,913
Others		**6,493**	13,822
		13,286	(57,238)
Total		**98,473**	56,617

i. The Group has received certain government grants related to the investments in production plants. The grants related to assets were recognised in the profit or loss over the useful lives of relevant assets.

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	**RMB'000**
Interest on bank borrowings	**2,485**	5,695
Interest on convertible bonds	**8,616**	35,711
Interest on lease liabilities	**12,539**	16,997
Total	**23,640**	58,403

6. PROFIT BEFORE TAX

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

	Notes	**2023**	2022
		RMB'000	**RMB'000**
Cost of inventories sold		**928,233**	863,864
Depreciation of property, plant and equipment		**117,291**	129,556
Depreciation of right-of-use assets	*10(c)*	**217,243**	253,427
Amortisation of other intangible assets		**10,474**	12,551
Auditor's remuneration		**2,400**	2,400
Minimum lease payments under short term leases in respect of stores and plant premises	*10(c)*	**85,474**	56,737
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		**432,609**	372,405
Pension scheme contributions**		**69,269**	63,893
Equity-settled share-based payment expense		**24,401**	32,768
Other welfare		**29,435**	26,684
		555,714	495,750
Advertising and promotion expenses		**39,245**	38,302
E-commerce and online ordering platform related service and delivery fees		**142,295**	143,247
Fuel cost		**13,736**	13,839
Utility expenses		**43,190**	39,188
Share of profits and losses of associates		**(1,086)**	(7,958)
Finance costs	*5*	**23,640**	58,403
Transportation expenses		**49,883**	67,033
Interest income from bank deposits	*4*	**(43,957)**	(34,276)
Interest income from structured deposits	*4*	**(20,060)**	(13,796)
Interest income from other financial assets at FVTPL	*4*	**(8,080)**	(19,606)
Interest income from loan to an associate		**(360)**	(158)
Fair value loss/(gain) on structured deposits measured at FVTPL	*4*	**2,796**	(1,421)
Fair value loss on other financial assets measured at FVTPL	*4*	**595**	6,408
Fair value loss on financial instruments – embedded derivative component of convertible bonds	*4*	**–**	2,731
Loss/(gain) on disposal of items of property, plant and equipment, net	*4*	**3,383**	(1,673)
Gain on modification of lease, net	*4*	**(16,626)**	(13,458)
Impairment of right-of-use assets	*4*	**13,784**	20,312
Impairment of trade receivables		**9,739**	5,925
(Gain)/loss on foreign exchange differences	*4*	**(2,166)**	109,074
Gain from early redemption of convertible bonds	*4*	**(8,559)**	(50,913)
Government grants related to assets	*4*	**(2,283)**	(2,372)
Government grants related to income	*4*	**(10,447)**	(43,647)
Covid-19-related rent concessions from lessors		**–**	(34,790)

* The depreciation of property, plant and equipment and depreciation of right-of-use assets for the year are included in "Cost of sales" in profit or loss.

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

7. INCOME TAX

The major components of income tax expenses are as follows:

	2023 RMB'000	2022 RMB'000
Current – PRC		
Charge for the year	**56,896**	49,029
Underprovision in prior year	**4,254**	655
	61,150	49,684
Deferred tax	**37,423**	(20,236)
Total tax charge for the year	**98,573**	29,448

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 was entitled to a preferential income tax rate of 15% for the year ended 31 December 2023 (2022: 15%). 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 year, 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

8. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim – HK$0.12 (equivalent to RMB0.11 per share) per ordinary share (2022: Nil)	**263,119,000**	–
Final – HK$0.05 (equivalent to RMB0.05 per share) per ordinary share (2022: Nil)	**108,073,000**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,316,332,731 (2022: 2,311,223,096) in issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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:

	2023	2022
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**115,576**	25,283
Add: Interest on convertible bonds	**–**	35,711
Fair value loss on the derivative component of the convertible bonds	**–**	2,731
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	**115,576**	63,725*

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,316,332,731**	2,311,223,096
Effect of dilution – weighted average number of ordinary shares:		
Restricted share unit scheme	**1,709,199**	6,966,626
Convertible bonds	**–**	121,649,368*
	2,318,041,930	2,439,839,090
Earnings per share:		
Basic (RMB)	**0.05**	0.01
Diluted (RMB)	**0.05**	0.01

* For the year ended 31 December 2022, because the diluted earnings per share amount increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share and were ignored in the calculation of diluted earnings per share.

The diluted earnings per share amounts are based on the profit for the year attributable to ordinary equity holders of the parent of RMB115,576,000 (2022: RMB25,283,000), and the weighted average number of ordinary shares of 2,318,041,930 (2022: 2,318,189,722) in issue during the year.

10. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 12 months and 7 years. Motor vehicles generally have lease terms of less than 12 months and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are certain lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land	Properties	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	124,024	357,002	481,026
Additions	–	373,442	373,442
Depreciation charge	(2,856)	(251,248)	(254,104)
Reassessment of a lease term arising from a decision not to exercise the extension option	–	(39,158)	(39,158)
Revision of a lease term arising from other changes in the non-cancellable period of a lease	–	(102,085)	(102,085)
Impairment	–	(20,312)	(20,312)
As at 31 December 2022 and 1 January 2023	121,168	317,641	438,809
Additions	–	236,368	236,368
Depreciation charge	(2,856)	(214,806)	(217,662)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(58,518)	(58,518)
Impairment	–	(13,784)	(13,784)
As at 31 December 2023	118,312	266,901	385,213

The Group's leasehold land is located in Wuhan City of Hubei Province, Dongguan City of Guangdong Province, Chengdu City of Sichuan Province, Nantong City of Jiangsu Province, Cangzhou City of Hebei Province and Qianjiang City of Hubei Province, the PRC, with lease periods of 50 years.

During the year, an amount of RMB419,000 (2022: RMB677,000) of the prepaid land lease payments was capitalised as part of the construction costs of the factory in Chengdu City and Qianjiang City.

10. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Carrying amount at 1 January	**350,247**	374,201
New leases	**222,611**	365,500
Accretion of interest recognised during the year	**12,539**	16,997
Covid-19-related rent concessions from lessors	**–**	(34,790)
Payments	**(227,434)**	(216,960)
Reassessment of a lease term arising from a decision not to exercise the extension option	**–**	(23,014)
Revision of a lease term arising from other changes in the non-cancellable period of a lease	**(75,144)**	(131,687)
Carrying amount at 31 December	**282,819**	350,247
Analysed into:		
Current portion	**168,183**	199,543
Non-current portion	**114,636**	150,704
	282,819	350,247

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023	2022
	RMB'000	RMB'000
Interest on lease liabilities	**12,539**	16,997
Depreciation charge of right-of-use assets	**217,243**	253,427
Expense relating to short-term leases (included in cost of sales and selling and distribution expenses)	**12,408**	23,839
Variable lease payments not included in the measurement of lease liabilities (included in cost of sales and selling and distribution expenses)	**73,066**	32,898
Covid-19-related rent concessions from lessors	**–**	(34,790)
Gain on modification of lease, net	**(16,626)**	(13,458)
Impairment of right-of-use assets	**13,784**	20,312
Total amount recognised in profit or loss	**312,414**	299,225

10. LEASES (continued)

The Group as a lessee (continued)

(d) Variable lease payments

The Group leased a number of retail stores and premises which contain variable lease payment terms that are based on the Group's turnover generated from the retail stores and premises in the shopping malls. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed payments:

2023	**Fixed payments**	**Variable payments**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Fixed rent payment	**181,842**	**–**	**181,842**
Variable rent with minimum payment	**58,000**	**18,168**	**76,168**
Variable rent only	**–**	**54,898**	**54,898**
Total	**239,842**	**73,066**	**312,908**

2022	**Fixed payments**	**Variable payments**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Fixed rent payment	239,787	–	239,787
Variable rent with minimum payment	1,012	797	1,809
Variable rent only	–	32,101	32,101
Total	240,799	32,898	273,697

A 10% (2022: 10%) increase in sales in the retail stores would increase the total lease payments by 2% (2022: 1%).

11. INVESTMENTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Share of net assets	**631,501**	633,246

Particulars of the Company's material associates are as follows:

Name	Place of incorporation	Ownership interest	Percentage of Voting power	Profit sharing	Principal activity
Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) ("**Shenzhen Tiantu Xingnan**") *(Note a)*	PRC	25.00%	40.00%	25.00%	Investment fund
Shanghai Zhi Yi Enterprise Development ("**Shanghai Zhi Yi**") *(Note b)*	PRC	49.90%	49.90%	49.90%	Investment holding
Hainan Tiantu Xingzhou Investment Partnership (Limited Partnership) ("**Hainan Tiantu Xingzhou**") *(Note c)*	PRC	33.33%	25.00%	33.33%	Investment fund
Hubei Dwelling Foods Co., Ltd. ("**Hubei Dwelling**") *(Note d)*	PRC	20.00%	20.00%	20.00%	Warehousing Business
ACCF Ginkgo Capital I L.P. ("**ACCF Ginkgo**") *(Note e)*	Cayman Island	41.61%	33.33%	41.61%	Investment

(a) In March 2018, the Group, through an indirect-wholly-owned subsidiary, entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) and Shenzhen Tiantu Xing'an Investment Enterprise (Limited Partnership) to jointly form Shenzhen Tiantu Xingnan, an investment fund, as a limited partner with an initial capital commitment of RMB500,000,000, representing 50.00% of the total commitment capital of RMB1,000,000,000 of this fund.

The Investment Committee of Shenzhen Tiantu Xingnan comprised of five directors, of which two of them are appointed by the Group and the remaining three directors were appointed by the other shareholders of Shenzhen Tiantu Xingnan. The resolution of the board of directors of Shenzhen Tiantu Xingnan requires approval by simple majority. As such, the Group can exercise significant influence over Shenzhen Tiantu Xingnan's financial or operating policies and, accordingly, the Group accounts for Shenzhen Tiantu Xingnan as an associate.

As of 31 December 2022, the total paid-up capital of this fund was RMB850,000,000 as a result of the capital distribution to all investors of RMB90,000,000 in January 2022. The Group's paid-in contribution of RMB212,500,000 (2021: RMB235,000,000), represented 25.00% (2021: 25.00%) of the total paid-up capital of this fund.

As of 31 December 2023, the total paid-up capital of this fund was RMB835,957,000 as a result of the capital distribution to investors of RMB14,043,000 in September 2023. The Group's paid-in contribution of RMB208,972,000 (2022: RMB212,500,000), represented 25.00% (2022: 25.00%) of the total paid-up capital of this fund.

11. INVESTMENTS IN ASSOCIATES (continued)

(b) In April 2021, the Group, through an indirect wholly-owned subsidiary, entered into an agreement with Shanghai Bofu Business Service Office (Limited Partnership) to jointly form Shanghai Zhi Yi, with an initial subscription amount of RMB29,940,000, representing 49.90% of the total initial subscription amount of this associate.

As of 31 December 2022, the Group's paid-in contribution of RMB17,515,000 (2021: RMB17,505,000) represented 49.90% (2021: 49.90%) of the total paid-in capital of Shanghai Zhi Yi.

As of 31 December 2023, the total paid-up capital of this fund was RMB31,918,000 as a result of the capital distribution to all investors of RMB3,182,000 in April 2023. the Group's paid-in contribution of RMB15,927,000 (2022: RMB17,515,000) represented 49.90% (2022: 49.90%) of the total paid-up capital of Shanghai Zhi Yi.

(c) In October 2021, the Group, through an indirect wholly-owned subsidiary, entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) and Shenzhen Tiantu Investment Management Co., Ltd to jointly form Hainan Tiantu Xingzhou, an investment fund, as a limited partner with an initial subscription amount of RMB500,000,000, representing 50.00% of the total initial subscription amount of this fund.

The Investment Committee of Hainan Tiantu Xingzhou comprised of four directors, of which one of them is appointed by the Group and the remaining three directors were appointed by other shareholders of Hainan Tiantu Xingzhou. The resolution of the board of directors of Hainan Tiantu Xingzhou requires approval by simple majority. As such, the Group can exercise significant influence over Hainan Tiantu Xingzhou's financial or operating policies and, accordingly, the Group accounts for Hainan Tiantu Xingzhou as an associate.

As of 31 December 2022, total capital paid-up of this fund was RMB570,000,000, being the additional capital injection of RMB70,000,000 by independent third institutional investors. The Group's paid-in contribution of RMB250,000,000 (2021: RMB250,000,000) represented 43.86% (2021: 50.00%) of the total paid-in capital of Hainan Tiantu Xingzhou.

As of 31 December 2023, the total paid-up capital of this fund was RMB750,000,000, being the additional capital injection of RMB175,000,000 by independent third institutional investors and RMB5,000,000 by Shenzhen Tiantu Capital Management Centre (Limited Partnership). The Group's paid-in contribution of RMB250,000,000 (2022: RMB250,000,000) represented 33.33% (2022: 43.86%) of the total paid-up capital of Hainan Tiantu Xingzhou.

(d) In November 2021, the Group, through an indirect wholly-owned subsidiary, disposed of 80% ownership of Hubei Dwelling, and the remaining 20.00% of equity interest in Hubei Dwelling was accounted for investment in an associate.

For the year ended 31 December 2022, the Group made a RMB9,000,000 capital injection into Hubei Dwelling.

As of 31 December 2022, the Group's paid-in contribution of RMB15,000,000 (2021: RMB6,000,000) represented 20.00% (2021: 20.00%) of the total paid-up capital of Hubei Dwelling.

For the year ended 31 December 2023, the Group made a RMB1,080,000 capital injection into Hubei Dwelling.

As of 31 December 2023, the Group's paid-in contribution of RMB16,080,000 (2022: RMB15,000,000) represented 20.00% (2022: 20.00%) of the total paid-up capital of Hubei Dwelling.

11. INVESTMENTS IN ASSOCIATES (continued)

(e) In June 2022, the Company entered into a partnership agreement with Advantage China Consumer Fund (ACCF Capital) and Ginkgo Future Ltd. to jointly form ACCF Ginkgo Capital I L.P, as a limited partner, with an initial subscription amount of USD30,000,000, representing 49.50% of the total initial subscription amount of the fund.

The Investment Committee of ACCF Ginkgo comprised of three directors, of which one of them is appointed by the Group and the remaining two directors were appointed by the other shareholders of ACCF Ginkgo. The resolution of the board of directors of ACCF Ginkgo requires approval by simple majority. As such, the Group can exercise significant influence over ACCF Ginkgo's financial or operating policies and, accordingly, the Group accounts for ACCF Ginkgo as an associate.

As of 31 December 2022, the Group's paid-in contribution of USD10,000,000 represented 49.50% of the total paid-up capital of USD20,200,000.

In June 2023, Max Bloom Group Limited joined the partnership, as a limited partner, with an initial subscription amount of USD2,500,000.

As of 31 December 2023, the Group's paid-in contribution of USD10,000,000 represented 41.61% of the total paid-up capital of USD24,033,000.

12. TRADE RECEIVABLES

	2023	**2022**
	RMB'000	**RMB'000**
Trade receivables	**78,259**	63,297
Less: Impairment provision	**(16,999)**	(7,260)
	61,260	56,037

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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:

	2023	**2022**
	RMB'000	**RMB'000**
Within 3 months	**29,804**	46,665
3 to 12 months	**31,401**	1,919
Over 1 year	**55**	7,453
	61,260	56,037

12. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023	2022
	RMB'000	RMB'000
At beginning of year	**7,260**	1,335
Impairment losses *(note 6)*	**9,739**	5,925
At end of year	**16,999**	7,260

The Group applies the simplified approach to provide for expected credit losses prescribed in HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the characteristics of the shared credit risk and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and in general, the Group recognises a loss allowance based on a 12-month ECLs at each reporting date. The Directors are of the opinion that the credit risk was minimal in view of there has not been a significant change in credit quality.

13. STRUCTURED DEPOSITED AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023	2022
		RMB'000	RMB'000
Current:			
Other financial assets at FVTPL			
Structured deposits products	*(i)*	**514,749**	307,546
Wealth management products	*(ii)*	**–**	717,189
		514,749	1,024,735
Non-current:			
Other financial assets at FVTPL			
Private equity fund	*(iii)*	**120,000**	120,000
		634,749	1,144,735

Notes:

(i) The above structured deposits products were issued by licensed banks in Chinese Mainland. As at 31 December 2023, structured deposits of RMB514,749,000 (2022: RMB307,546,000) were classified as financial assets at fair value through profit or loss as these structured deposits are with expected rates of return (not guaranteed) at floating rates ranging from 1.50% to 3.60% (2022:1.50% to 3.90%), linked to foreign exchange rate.

(ii) At 31 December 2023, the balance of wealth management products issued by licensed banks in Chinese Mainland and Hong Kong was nil (2022: RMB717,189,000). They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Last year, the underlying investments of the financial assets 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 Chinese Mainland and Hong Kong, which were very liquid with a relatively short-term maturity.

13. STRUCTURED DEPOSITED AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(iii) At 31 December 2023, the financial assets of RMB120,000,000 (2022: RMB120,000,000) represented a private equity fund, of which the Group is a limited partner. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The private equity fund is managed by an independent professional fund manager approved by Asset Management Association of China for a period of 5 years.

14. TRADE PAYABLES

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

	2023	**2022**
	RMB'000	**RMB'000**
Within 3 months	**92,559**	104,492
3 to 6 months	**1,889**	1,302
6 to 12 months	**1,035**	809
Over 12 months	**919**	841
	96,402	107,444

The trade payables are non-interest-bearing.

15. CONVERTIBLE BONDS

On 5 November 2020, the Company issued convertible bonds due 2025 in the aggregate principal amount of HK$1,550,000,000. The bonds are convertible at the option of the bondholders into ordinary shares on 16 December 2020 on the basis of the initial conversion price of HK$10.40. The bonds are redeemable at the option of the bondholders on 5 November 2023 at 103.86% of their principal amount together with accrued but unpaid interest. Any convertible notes not converted will be redeemed on 19 November 2025 at 106.58% of its principal amount together with accrued but unpaid interest. The bonds carry interest at a rate of 1% per annum, which is payable half-yearly in arrears on 5 May and 5 November.

The convertible bonds comprise two components:

a) The debt component was initially measured at fair value amounting to HK$1,494,938,000 (equivalent to RMB1,258,139,000). It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

b) The derivative component comprises conversion options and early redemption options (not closely related to the debt component), which were initially measured at fair value with an amount of HK$55,062,000 (equivalent to RMB46,341,000).

The total transaction costs of HK$29,104,000 (equivalent to RMB24,494,000) that are related to the issue of the convertible bonds were allocated to the debt component exclusively in its initial measurement, and were included in the carrying amount of the debt component and amortised over the period of the convertible bonds using the effective interest method.

15. CONVERTIBLE BONDS (continued)

From the issuance date of convertible bonds of 5 November 2020 to 1 November 2023, there has not been any conversion of the convertible bonds. As of 31 December 2023, the Group has totally redeemed the convertible bonds.

	Debt component	Embedded derivative component	Total
	RMB'000	RMB'000	RMB'000
Nominal value of convertible bonds issued in 2022	1,233,353	34,278	1,267,631
Interest expense	35,711	–	35,711
Interest paid	(10,430)	–	(10,430)
Exchange realignment	95,636	2,704	98,340
Early redemption	(914,591)	(22,856)	(937,447)
Gain arising on change of fair value	–	2,731	2,731
As at 31 December 2022	439,679	16,857	456,536
Interest expense	8,616	–	8,616
Interest paid	(2,361)	–	(2,361)
Early redemption	(456,587)	(16,932)	(473,519)
Exchange realignment	10,653	75	10,728
As at 31 December 2023	–	–	–

16. INTEREST-BEARING BANK BORROWINGS

	31 December 2023			31 December 2022		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Bank borrowings – unsecured	–	–	–	2.05-2.5	2023	60,000
Bank borrowings – secured *(note)*	–	–	–	2.1	2023	100,000
			–			160,000

Note:

As of 31 December 2022, the Group's time deposits of RMB100,000,000 were pledged for this letter of credit. During the year, the bank borrowings were fully repaid and as of 31 December 2023, the Group had no borrowings and all pledged assets were released.

17. SHARE CAPITAL

	2023 RMB'000	2022 RMB'000
Authorised:		
50,000,000,000 shares of USD0.000001 each (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 (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 RMB'000	Treasury shares RMB'000
At 1 January 2021, 31 December 2021 and 1 January 2022	2,383,140,500	16	(341,445)
Exercise of share-based awards	–	–	16,986
At 31 December 2022	2,383,140,500	16	(324,459)
At 31 December 2022 and 1 January 2023	**2,383,140,500**	**16**	**(324,459)**
Repurchase of shares	**–**	**–**	**(51,709)**
Exercise of share-based awards	**–**	**–**	**25,987**
At 31 December 2023	**2,383,140,500**	**16**	**(350,181)**

18. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the consolidated financial statements, no material events were undertaken by the Group subsequent to 31 December 2023.

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 Hong Kong Stock Exchange and will mature on November 5, 2025. In 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 and redeemed the Convertible Bonds with a principal amount of HK$248,000,000 in total pursuant to the exercise of the options of the bondholders, representing 15.9% and 16.0% of the aggregate principal amount of the Convertible Bonds originally issued, respectively. The details of each repurchase and redemption 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 an aggregate principal amount of HK$46,000,000 of the Convertible Bonds with the rights 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.

On November 5, 2023, pursuant to the terms and conditions of the Convertible Bonds, the bondholders holding an aggregate principal amount of HK$248,000,000, representing 16.0% of the aggregate principal amount of the Convertible Bonds originally issued, exercised their option to require the Company to redeem all Convertible Bonds held by them at 103.86% of the principal amount, together with interest accrued but unpaid up to but excluding such date (the "**Redemption**"). On November 6, 2023, the Company has completed such Redemption in full. For details, please refer to the Company's announcement dated November 7, 2023.

As of the date of this announcement, there is no outstanding Convertible Bonds in issue. The Convertible Bonds were delisted from the Stock Exchange on November 15, 2023.

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

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK$0.05 per ordinary share of the Company (adopting an exchange rate of HK$1=RMB0.90698, equivalent to RMB0.045 per share) (the "**2023 Final Dividend**") and payable in Hong Kong dollars, amounting to approximately a total of RMB108,073,000, representing approximately 93.5% of the Group's net profit for the year ended December 31, 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of eligibility to attend and vote at the annual general meeting of the Company (the "**AGM**"), the register of members of the Company will be closed from Monday, May 27, 2024 to Thursday, May 30, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the forthcoming AGM to be held on Thursday, May 30, 2024, 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 Friday, May 24, 2024.

Subject to the approval of the declaration of the 2023 Final Dividend at the forthcoming AGM, the register of members of the Company will also be closed from Wednesday, June 5, 2024 to Thursday, June 6, 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed 2023 Final 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 Tuesday, June 4, 2024. The 2023 Final Dividend, if approved by the Company's shareholders at the forthcoming AGM, will be paid on or about Friday, June 28, 2024 to those shareholders whose name appear on the register of member of the Company on Thursday, June 6, 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended December 31, 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**Code**") as set out in Part 2 of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code for the year ended December 31, 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 members, namely Mr. Chen Chen, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong, our independent non-executive Directors. Mr. Chen Chen is the chairman of the Audit Committee, and is our independent non-executive Director possessing the appropriate professional qualifications.

The Audit Committee has reviewed and discussed the annual results for the year ended December 31, 2023. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhouheiya.cn). The annual report will be dispatched to the shareholders of the Company (if requested) and will be available on the website of the 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, March 27, 2024

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