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**Zhou Hei Ya International Holdings Company Limited**

**周黑鴨國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1458)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

**FINANCIAL HIGHLIGHTS**

	<b>For the six months ended June 30,</b>		<b>Period-over- Period Change</b>
	<b>2024</b>	<b>2023</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue</b>	<b>1,259,511</b>	1,414,764	(11.0)
<b>Gross profit</b>	<b>697,657</b>	742,813	(6.1)
<b>Profit before tax</b>	<b>56,769</b>	147,396	(61.5)
<b>Profit for the period attributable to owners of the parent</b>	<b>32,913</b>	101,742	(67.7)

## OPERATIONAL HIGHLIGHTS

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

	As of June 30, / For the six months ended June 30,	
	2024	2023
Total number of retail stores	3,456	3,706
Total sales volume (tons)	14,618	15,791
Average spending per purchase order (RMB)	55.57	62.01

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

	For the six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Ducks and duck part products	994,551	79.0	1,108,439	78.3
Other products <sup>(1)</sup>	247,861	19.7	287,194	20.3
Franchise fees <sup>(2)</sup>	17,099	1.3	19,131	1.4
<b>Total</b>	<b>1,259,511</b>	<b>100.0</b>	<b>1,414,764</b>	<b>100.0</b>

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

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

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

	For the six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Self-operated retail stores <sup>(1)</sup>	696,877	55.3	751,035	53.1
Online channels	177,830	14.1	214,406	15.2
Franchisees <sup>(2)</sup>	327,456	26.0	408,366	28.9
Others <sup>(3)</sup>	57,348	4.6	40,957	2.8
<b>Total</b>	<b>1,259,511</b>	<b>100.0</b>	<b>1,414,764</b>	<b>100.0</b>

<sup>(1)</sup> 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 21.0% and 20.1% of the revenue from self-operated retail stores in the six months ended June 30, 2024 and 2023, respectively.

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

<sup>(3)</sup> Primarily include revenue generated from distributors.

The board (the “**Board**”) of directors (the “**Directors**”) of Zhou Hei Ya International Holdings Company Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results (the “**Interim Results**”) of the Company and its subsidiaries (the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”). The Interim Results have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). In addition, the Interim Results have also been reviewed by the audit committee of the Company (the “**Audit Committee**”).

## **BUSINESS OVERVIEW AND OUTLOOK**

### **Overall Business and Financial Performance**

As of June 30, 2024, the Group had a total of 3,456 retail stores, including 1,735 self-operated retail stores and 1,721 franchised retail stores, covering 323 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 periods indicated:

#### *Number of Retail Stores*

	<b>As of June 30,</b>			
	<b>2024</b>		<b>2023</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Central China <sup>(1)</sup>	<b>1,566</b>	<b>45.3</b>	1,584	42.7
Southern China <sup>(2)</sup>	<b>572</b>	<b>16.6</b>	666	18.0
Eastern China <sup>(3)</sup>	<b>524</b>	<b>15.2</b>	504	13.6
Northern China <sup>(4)</sup>	<b>443</b>	<b>12.8</b>	542	14.6
Western China <sup>(5)</sup>	<b>351</b>	<b>10.1</b>	410	11.1
<b>Total</b>	<b>3,456</b>	<b>100.0</b>	3,706	100.0

## Revenue

	For the six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
Central China <sup>(1)</sup>	547,675	53.5	634,287	54.7
Southern China <sup>(2)</sup>	173,117	16.9	194,379	16.8
Eastern China <sup>(3)</sup>	117,507	11.5	136,462	11.8
Northern China <sup>(4)</sup>	104,577	10.2	115,796	10.0
Western China <sup>(5)</sup>	81,457	7.9	78,477	6.7
<b>Total</b>	<b>1,024,333</b>	<b>100.0</b>	<b>1,159,401</b>	<b>100.0</b>

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

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

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

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

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

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

	As of June 30,							
	2024				2023			
	Self-operated retail stores		Franchised retail stores		Self-operated retail stores		Franchised retail stores	
#	%	#	%	#	%	#	%	
Transportation hubs <sup>(1)</sup>	268	15.4	80	4.6	157	10.2	67	3.1
Shopping zones, Commercial complexes and Supermarkets	928	53.5	1,083	62.9	847	54.9	1,385	64.0
Communities	234	13.5	493	28.6	222	14.4	638	29.5
Others <sup>(2)</sup>	305	17.6	65	3.9	316	20.5	74	3.4
<b>Total</b>	<b>1,735</b>	<b>100.0</b>	<b>1,721</b>	<b>100.0</b>	<b>1,542</b>	<b>100.0</b>	<b>2,164</b>	<b>100.0</b>

(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.

## **Business Review and Outlook**

In the first half of 2024, consumer demand has not yet shown strong recovery, and the consumption environment and consumer preferences have also changed significantly. This has promoted consumer enterprises to continuously adjust their strategies to meet the new market demands and explore the development path in the new consumption era. During the Reporting Period, the Group comprehensively reviewed and reflected on past deficiencies and made appropriate adjustments in the strategic directions such as retail stores, products and users in accordance with the current market trends and consumer demands, and continued to promote the implementation of key strategies to enhance the overall operation quality of the Group.

In terms of retail store expansion, instead of blindly pursuing growth in retail store numbers, we prioritized improving retail store quality as our core objective. We conducted an in-depth screening and analysis of our retail stores to determine whether they have long-term growth potential and formulated targeted rectification and support plans or closed down relevant retail stores to minimize losses. At the same time, we have also iteratively updated our site selection standards and management requirements for retail stores, enabling our retail stores to better adapt to current and future consumer trends. In the first half of 2024, the Group piloted fresh preserved & bulk products “two-in-one retail stores” in Wuhan and its surrounding areas, aiming to satisfy the increasingly diversified consumer demands under the new consumption environment. As of June 30, 2024, the Group has 127 “two-in-one retail stores”.

In terms of retail store operation management, we continued to strengthen the refined management of retail stores, and energized the front-line employees. We launched a competition incentive program for retail stores in the first half of 2024 to fully motivate and empower front-line employees and mobilized the initiative of employees to promote the enhancement of both profitability and service quality of retail stores. We have established a supervision team to conduct regular inspections, perform daily reporting, weekly summarization, and monthly reviews on the data of retail stores to form healthy competition among regions and realize awards according to the sales ranking, which fully motivated the front-line employees. Through effective incentives, our employees displayed their individual creativity while improving service quality, formulating measures to increase sales in retail stores, including unattended programs for retail stores during the midnight snacking period, special marketing activities during festivals, business development, and food testing events, forming a series of innovative benchmark cases, and we shared the experiences through the “Cloud Classroom” system for studying and rapid replication across the country.

We insist on providing consumers with high-quality products with unique classic flavors to highlight the differentiated product strengths of Zhou Hei Ya in the face of fierce market competition. In the first half of 2024, we focused on enhancing the quality of our top classic flavor products. We have launched a variety of bulk products such as classic flavor duck part products, whole spicy salted ducks, and braised ducks (not spicy), with diversified portfolios to suit different retail store scenarios, to further enrich product diversity and provide consumers with more highly cost-effective choices and greater flexibility in customization, satisfying diversified consumer needs.

In the new consumption era, in order to adapt to the trend of consumer preferences shifting towards personalization and experience, we strengthened the establishment of membership system and private domain operation, and we are committed to enhancing the member experience through digital and intelligent measures and refined management, while placing additional emphasis on the young customer base. We actively conducted marketing campaigns that are younger, more scenario-based and emotionally rewarding, laying a solid foundation for the long-term and stable development of our brand. Currently, we have successfully integrated a variety of consuming scenarios such as home delivery, retail store, and product browsing on our mini programs, realizing the transformation from traditional retail store and product operation to user-centered operation. We have continued to grow our member base through exposure and traffic attraction strategies on both public and pan-private platforms, set up a series of member privilege activities such as exclusive discounts and brand days, and constructed a system of member rights and bonus point rewards to comprehensively promote our members' consumption experience.

In the first half of 2024, we continued to deepen the integration of the supply chain and firmly promoted our core strategies of supply chain synergy, cost reduction and efficiency improvement, refined operations, and quality improvement, together with the cost improvement brought by the decrease in raw material prices, achieving a gross profit margin of 55.4% in the first half of 2024. In the first half of 2024, we continued to make efforts in front-end, middle-end, and back-end synergies, launching high-frequency procurement strategy coordination meetings, production, supply, and sales coordination meetings, and collaborating with the marketing ends to gain timely insight into market demand and therefore continue to optimize our product portfolio, and continuously improve the efficiency of retail store operations and supply chain production. Meanwhile, we flexibly adjusted our procurement strategy to seize market opportunities and optimize our cost model, while ensuring stability and excellence in quality and service. In addition, our supply chain fully supports the Group's strategic adjustments and new business development, promptly matching the resources and capabilities of each segment, and efficiently supporting the development of fresh preserved & bulk two-in-one business model.

The processing facility in Western China was officially put into operation in March 2024, which brought a certain increase in costs in the short term; however, the delivery time of logistics in Western China has been effectively controlled. In the future, with the expansion of the market scope and growth in sales, it is expected that the overall logistics costs of the Group will be further reduced in the long run and that the Group will form a highly efficient and coordinated supply network with other factories to continuously improve the efficiency of retail store services and provide support for business growth.

At present, pressure from the external environment still exists, and it is more important than ever for enterprises to believe in the faith of long-termism and move forward with determination. In the first half of 2024, adhering to the original intention, the Company's management team thought deeply about and optimised its strategic direction. In the second half of 2024, we will continue to carry out organizational iterations and continue to promote strategic changes in retail store products, users, and brands, so as to further strengthen the core competitiveness of the brands and achieve steady, high-quality growth of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the Group's unaudited consolidated statements of profits or loss and other comprehensive income in absolute amounts and as percentage of the Group's total revenue for the periods indicated, together with the change of the six months ended June 30, 2024 over the six months ended June 30, 2023 (expressed in percentages).

	For the six months ended June 30,				Period-over- Period Change
	2024		2023		
	RMB'000	%	RMB'000	%	%
<b>Revenue</b>	<b>1,259,511</b>	<b>100.0</b>	1,414,764	100.0	(11.0)
Cost of sales	(561,854)	(44.6)	(671,951)	(47.5)	(16.4)
<b>Gross profit</b>	<b>697,657</b>	<b>55.4</b>	742,813	52.5	(6.1)
Other income and gains, net	23,595	1.9	53,256	3.8	(55.7)
Finance costs	(5,966)	(0.5)	(14,223)	(1.0)	(58.1)
Selling and distribution expenses	(504,977)	(40.1)	(474,075)	(33.5)	6.5
Administrative expenses	(119,872)	(9.5)	(160,140)	(11.3)	(25.1)
Share of profits and losses of associates	(33,668)	(2.7)	(235)	0.0	14,226.8
Profit before tax	56,769	4.5	147,396	10.4	(61.5)
Income tax expense	(23,856)	(1.9)	(45,654)	(3.2)	(47.7)
Profit for the period	<b>32,913</b>	<b>2.6</b>	101,742	7.2	(67.7)
Attributable to:					
Owners of the parent	<b>32,913</b>	<b>2.6</b>	101,742	7.2	(67.7)
<b>EARNINGS PER SHARE</b>					
<b>ATTRIBUTABLE TO ORDINARY</b>					
<b>EQUITY HOLDERS OF THE PARENT</b>					
Basic and diluted earnings per share (RMB)	<b>0.01</b>		0.04		(75.0)
Net profit margin		<b>2.6</b>		7.2	
<b>OTHER COMPREHENSIVE INCOME</b>					
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>					
Exchange differences on translation of foreign operations	1,122	0.1	9,758	0.7	(88.5)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,122	0.1	9,758	0.7	(88.5)
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>					
Translation from functional currency to presentation currency	3,625	0.3	6,702	0.5	(45.9)



	For the six months ended June 30,				Period-over-
	2024		2023		Period Change
	RMB'000	%	RMB'000	%	%
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	3,625	0.3	6,702	0.5	(45.9)
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>4,747</b>	<b>0.4</b>	<b>16,460</b>	<b>1.2</b>	<b>(71.2)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>37,660</b>	<b>3.0</b>	<b>118,202</b>	<b>8.4</b>	<b>(68.1)</b>
Attributable to: Owners of the parent	<b>37,660</b>	<b>3.0</b>	<b>118,202</b>	<b>8.4</b>	<b>(68.1)</b>

### ***Revenue***

The Group's total revenue decreased by approximately 11.0% from RMB1,414.8 million for the six months ended June 30, 2023 to RMB1,259.5 million for the six months ended June 30, 2024, primarily due to the fact that the consumption environment has yet to recover significantly and the sluggish external demand, resulting in a decrease in sales and a subsequent decrease in revenue.

### ***Cost of Sales***

Cost of sales decreased by approximately 16.4% from RMB672.0 million for the six months ended June 30, 2023 to RMB561.9 million for the six months ended June 30, 2024, primarily due to the decrease in the production and sales of products while the raw material price of duck parts decreased obviously, resulting in a drop in the cost of raw materials and related ancillary cost.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, the Group's gross profit decreased by 6.1% from RMB742.8 million for the six months ended June 30, 2023 to RMB697.7 million for the six months ended June 30, 2024. Despite the revenue and gross profit decreased, the gross profit margin increased resulting from the fact that the decrease in the overall cost of the Group was higher than the decrease in revenue; as a result, the Group's gross profit margin increased from 52.5% for the six months ended June 30, 2023 to 55.4% for the six months ended June 30, 2024.

### *Other Income and Gains, Net*

The Group's other income and gains, net decreased by 55.7% from RMB53.3 million for the six months ended June 30, 2023 to RMB23.6 million for the six months ended June 30, 2024, which was primarily due to the Company's efforts to maintain cash liquidity, resulting in a decrease in the amount of term deposits and a corresponding decrease in interest income. Meanwhile, due to the full redemption of convertible bonds in November 2023, there were no fair value change gains or losses for convertible bonds in this period.

### *Finance Costs*

The finance costs of the Group decreased by 58.1% from RMB14.2 million for the six months ended June 30, 2023 to RMB6.0 million for the six months ended June 30, 2024, mainly attributable to the fact that all the remaining convertible bonds were redeemed in the second half of 2023, resulting in a corresponding decrease in interest expense.

### *Selling and Distribution Expenses*

The Group's selling and distribution expenses increased by 6.5% from RMB474.1 million for the six months ended June 30, 2023 to RMB505.0 million for the six months ended June 30, 2024. The increase was mainly due to the increase in offline self-operated retail stores (mainly transportation hub stores) of the Group, resulting in an increase in the rent relating to retail stores and the salary and benefits for sales personnel.

### *Administrative Expenses*

The Group's administrative expenses decreased by approximately 25.1% from RMB160.1 million for the six months ended June 30, 2023 to RMB119.9 million for the six months ended June 30, 2024. The decrease was mainly due to the fact that the conditions of the grant of 2023 restricted share units ("**2023 RSUs**") were not satisfied, such 2023 RSUs have lapsed automatically in respect of such proportion of underlying shares as have not vested, resulting in a decrease in expense related to equity incentive on a year-on-year basis.

### *Shares of Profits and Losses of Associates*

For the six months ended June 30, 2024, the Group incurred share of loss of associates of RMB33.7 million, mainly in connection with the 25.00% equity interest in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership) and the 32.68% equity interest of Hainan Tiantu Xingzhou Investment Partnership (Limited Partnership), resulting from the change in fair values of the portfolio investments of the associates' investments.

### ***Profit Before Tax***

As a result of the foregoing, the Group recorded profit before tax of RMB56.8 million for the six months ended June 30, 2024, representing a decrease of 61.5% from RMB147.4 million for the six months ended June 30, 2023.

### ***Income Tax Expense***

The Group incurred income tax expense of RMB23.9 million for the six months ended June 30, 2024, which decreased by 47.7% from RMB45.7 million for the six months ended June 30, 2023, as a result of a significant decrease in profit before tax compared to the same period of last year.

### ***Profit for the Period***

As a result of the foregoing, the Group recorded net profit of RMB32.9 million for the six months ended June 30, 2024, representing a decrease of 67.6% from RMB101.7 million for the six months ended June 30, 2023. The Group's net profit margin decreased from 7.2% for the six months ended June 30, 2023 to 2.6% for the six months ended June 30, 2024.

### ***Exchange Differences on Translation of Foreign Operations***

Exchange differences on translation of foreign operations was a gain of RMB4.7 million for the six months ended June 30, 2024, as compared to a gain of RMB16.5 million for the six months ended June 30, 2023. The Group's exchange differences on translation of foreign operations represented the foreign exchange translation differences as certain overseas subsidiaries use Hong Kong dollars (“**HK\$**”) as the reporting currency.

### ***Total Comprehensive Income for the Period***

As a result of the foregoing, the Group's total comprehensive income for the six months ended June 30, 2024 amounted to RMB37.7 million, representing a decrease of 68.1% from RMB118.2 million for the six months ended June 30, 2023.

### ***Liquidity and Capital Resources***

During the six months ended June 30, 2024, the Group financed its operations through cash generated from its business operations and the net proceeds received from its Initial Public Offering and the exercise of the over-allotment options on November 30, 2016 (the “**IPO**”). The Group intends to finance its expansion and business operation by internal resources and through organic and sustainable growth, as well as to use the net proceeds received from the IPO.

During the six months ended June 30, 2024, the Company repurchased a total of 81,580,000 shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) at an aggregate consideration of HK\$147,687,203.00. Please also see “— Other Information — Purchase, Sale and Redemption of Listed Securities” in this announcement.

### ***Capital Structure***

As of June 30, 2024, the Group had net assets of RMB3,698.9 million, as compared to RMB3,935.4 million as of December 31, 2023, comprising current assets of approximately RMB1,946.5 million, non-current assets of approximately RMB2,749.2 million, current liabilities of approximately RMB805.1 million and non-current liabilities of approximately RMB191.7 million.

As of December 31, 2023 and June 30, 2024, the cash and cash equivalents of the Group were mainly denominated in Renminbi (“**RMB**”) and HK\$, with some denominated in U.S dollars (“**USD**”) and a small amount in Euro.

### ***Cash and Bank Balances***

As compared with RMB1,074.5 million as of December 31, 2023, the Group had cash and bank balances of approximately RMB1,347.4 million as of June 30, 2024, which consisted of unrestricted cash and bank balances of approximately RMB618.1 million and term deposits of approximately RMB729.2 million.

### ***Financial Risks***

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

### ***Use of Proceeds from the IPO***

Net proceeds from the IPO (including the exercise of the over-allotment options on November 30, 2016), after deducting the underwriting commission and other estimated expenses in connection with the Global Offering which the Company received amounted to approximately HK\$2,792.3 million, comprising HK\$2,428.1 million raised from the Global Offering and HK\$364.2 million from the issuance of shares pursuant to the exercise of the over-allotment options, respectively. The remaining balance of the proceeds from the IPO as of December 31, 2023 and June 30, 2024 were RMB199.8 million and RMB189.8 million, respectively.

As announced in the 2019 annual results announcement of the Company dated March 31, 2020 (the “**2019 Annual Results Announcement**”), the Board has resolved to reallocate the unutilized net proceeds and increase the portion to be used for the construction and improvement of processing facilities, which also includes the enhancement of the related logistics and storage capacities (the “**Reallocation**”). There has been no change in the intended use of net proceeds since the Reallocation. In particular, the amounts of net proceeds used in 2023 and the six months ended June 30, 2024 were utilized in accordance with the intended use as previously disclosed in the 2019 Annual Results Announcement, and the remaining balance of net proceeds as of June 30, 2024 are and are expected to continue to be used in accordance with the intended use as previously disclosed in the 2019 Annual Results Announcement.

The table below sets forth the use of proceeds by the Group as of June 30, 2024:

	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	Amount that had been utilized as of December 31, 2023	Amount that was used for the six months ended June 30, 2024	Remaining balance as of June 30, 2024	Expected timeline of utilization <sup>(1)</sup>
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	
Construction and improvement of processing facilities	1,258.3	1,258.3	-	-	1,258.3	-	-	Used up
Development of retail network	167.8	167.8	-	-	167.8	-	-	Used up
Branding image campaigns, including the e-commerce marketing campaigns	394.3	394.3	-	-	394.3	-	-	Used up
Improvement of research and development	45.2	45.2	-	-	45.2	-	-	Used up
Acquisition and strategic alliances	145.2	17.9	-	127.3	17.9	-	127.3	Expected to be used up within three years <sup>(2)</sup>
Upgrades of information technology systems, including the enterprise resource planning system	96.2	83.6	7.2	5.4	90.8	3.0	2.4	Expected to be used up within a half year
General replenishment of working capital	345.2	268.0	10.1	67.1	278.1	7.0	60.1	Expected to be used up within three year
<b>Total</b>	<b>2,452.2</b>	<b>2,235.1</b>	<b>17.3</b>	<b>199.8</b>	<b>2,252.4</b>	<b>10.0</b>	<b>189.8</b>	

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 use in three years as indicated. However, such expected timeline is subject to change and adjustment depending on the business development of the Group and the availability of suitable acquisition targets in the market.

As previously disclosed in the 2023 annual results announcement of the Company dated March 27, 2024, the remaining balance of net proceeds for general replenishment of working capital of RMB67.1 million as of December 31, 2023 was expected to be used up in one year. After taking into account (i) the fact that the primary source of working capital of the Group is cash generated from its business operations, and (ii) the capital arrangements of the Group in the following years, the Company has decided to delay the expected timeline for utilizing the remaining balance of net proceeds for general replenishment of working capital of RMB60.1 million as of June 30, 2024 to be within three years after the date of this announcement.

As of June 30, 2024, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

### ***Indebtedness***

As of June 30, 2024, the Group had an aggregate bank borrowings of RMB150.0 million, all of which will be due within one year. Such outstanding bank borrowings bear fixed interest rates and are denominated in Renminbi.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. The gearing ratio of the Group increased from 19.6% as of December 31, 2023 to 21.2% as of June 30, 2024, mainly due to bank borrowings of RMB150.0 million for business operations.

### ***Pledged Assets***

As of June 30, 2024 and December 31, 2023, the Group did not pledge any of its assets.

### ***Cash Flows***

For the six months ended June 30, 2024, net cash generated from operating activities was approximately RMB193.8 million, compared with net cash generated from operating activities of RMB156.6 million for the six months ended June 30, 2023, which is adjusted for certain non-cash items and profit before tax from non-operating activities such as depreciation of fixed assets, depreciation and amortization of right-of-use assets and land use rights, interest income from bank deposits and interest income from structured deposits, mainly due to our profit before tax of RMB56.8 million, as adjusted for items including (i) income tax paid of RMB71.6 million; (ii) a decrease of RMB44.3 million in inventory mainly due to the decrease in mid-year stocking of the Group; (iii) a decrease of RMB4.8 million in prepayments, other receivables and other assets; (iv) a decrease of RMB26.2 million in other payables and accruals; (v) an increase of RMB8.1 million in trade receivables; and (vi) a decrease of RMB4.4 million in trade payables.

For the six months ended June 30, 2024, net cash generated from investing activities was approximately RMB374.4 million, compared with RMB376.8 million for the six months ended June 30, 2023, which was mainly attributable to (i) the redemption of structured deposits and other financial assets measured at fair value through profit or loss (“FVTPL”) in the aggregate amount of RMB698.9 million; (ii) a decrease of RMB41.9 million in term deposits of maturity over three months; and (iii) the interests of RMB22.1 million on bank deposits, structured deposits and other financial assets measured at FVTPL, partially offset by (i) purchases of structured deposits and other financial assets measured at FVTPL in the aggregate amount of RMB346.7 million; and (ii) purchase of items of property, plant and equipment and intangible assets in the aggregate amount of RMB50.2 million.

For the six months ended June 30, 2024, net cash used in financing activities was approximately RMB249.2 million, compared with RMB241.5 million for the six months ended June 30, 2023, which was mainly attributable to (i) dividends paid in the amount of RMB105.6 million in 2024; (ii) lease rental payments of RMB119.4 million; (iii) repurchases of the Company’s shares in the amount of RMB172.9 million, and partially offset by proceeds from interest-bearing bank borrowings in the amount of RMB150.0 million.

### ***Structured Deposits and Financial Assets Measured at FVTPL***

The Group from time to time invests in asset management products, primarily structured deposits and other financial assets measured at FVTPL, in order to better facilitate its cash management. Structured deposits were principal-protected products which typically had a fixed short term and may be redeemed upon at their respective expiry dates. The Group’s other financial assets measured at FVTPL were mainly investments in equity funds, which generally are not principal-protected nor return-guaranteed. Such investments also typically have a fixed short term and are relatively low risk in nature. As of June 30, 2024, the Group had a balance of structured deposits and other financial assets measured at FVTPL in the amount of approximately RMB268.0 million. Up to the date of this announcement, approximately RMB45.1 million out of the RMB268.0 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits were primarily short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in China, which were very liquid with a relatively short term of maturity, and which were considered akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. For the six months ended June 30, 2024, interest income from structured deposits and other financial assets measured at FVTPL amounted to RMB9.4 million, as compared to approximately RMB17.5 million for the six months ended June 30, 2023.

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 RMB50.2 million for the six months ended June 30, 2024, mainly in connection with the commencement of the production of Chengdu facility and the equipment optimization in other facilities. The Group financed its capital expenditures primarily with cash generated from business operations and the net proceeds from the IPO.

### ***Contingent Liabilities and Guarantees***

As of June 30, 2024, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against it.

### ***Major Investment***

The Group did not conduct any material investments, acquisitions or disposals in the six months ended June 30, 2024 and in the period subsequent to June 30, 2024 up to August 23, 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.

As of the date of this announcement, pursuant to the RSU Scheme, 254 selected persons had received the restricted share units (the "**RSUs**") representing 33,511,123 Shares of the Company. The underlying shares concerned represented 1.44% of the Company's issued shares.



Please refer to the Company's announcements dated July 25, 2018, July 31, 2018, October 24, 2018 and July 5, 2021 for a detailed summary of its RSU Scheme and the announcements dated April 20, 2020, February 1, 2021, March 25, 2021, March 31, 2022, April 3, 2023 and March 28, 2024, for the details in connection with the grants of the RSUs.

### **Turnover Ratios**

Average inventory turnover days increased from 79.5 days for the six months ended June 30, 2023 to 88.4 days for the six months ended June 30, 2024, primarily due to the slower turnover of raw materials and finished goods as a result of the decline in the production and sales volume and the slowdown in production activities.

Average trade receivables turnover days increased from 7.8 days in the six months ended June 30, 2023 to 9.0 days in the six months ended June 30, 2024, primarily due to the relatively longer credit terms the Group granted to certain e-commerce platforms when we renewed the cooperation with them.

Average trade payables turnover days increased from 23.5 days for the six months ended June 30, 2023 to 30.2 days for the six months ended June 30, 2024, primarily because the slow consumption of inventory resulting from the decrease in sales as well as the prolonged credit terms granted to the Group.

### **Employee and Labor Cost**

As of June 30, 2024, the Group had a total of 4,297 employees, among which approximately 60.7% were retail store operations and sales staff and approximately 22.4% were manufacturing staff at its processing facilities.

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

For the six months ended June 30, 2024, the Group incurred total labor costs of RMB271.6 million, representing approximately 21.6% of total revenue of the Group over the same period.

### **Top Suppliers and Top Customers**

For the six months ended June 30, 2024, purchases from the Group's largest duck supplier in terms of RMB amount accounted for approximately 22.1% of total purchase cost and the aggregate purchases from its top five duck suppliers in terms of RMB amount in aggregate accounted for approximately 45.3% of total purchase cost.

For the six months ended June 30, 2024, due to the nature of the Group's business, revenue derived from its top five customers accounted for less than 30% of total revenue.

**Reserves**

As of June 30, 2024, the Group's reserves available for distribution to shareholders of the Company amounted to approximately RMB1,140.6 million.

**Subsequent Events**

Save as disclosed above, subsequent to June 30, 2024 and up to August 23, 2024 (being the date of this announcement), no material events were undertaken by the Group.

## FINANCIAL INFORMATION

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

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024	2023
		RMB'000 (unaudited)	RMB'000 (unaudited)
<b>REVENUE</b>	4	<b>1,259,511</b>	1,414,764
Cost of sales		<b>(561,854)</b>	(671,951)
Gross profit		<b>697,657</b>	742,813
Other income and gains, net	4	<b>23,595</b>	53,256
Finance costs		<b>(5,966)</b>	(14,223)
Selling and distribution expenses		<b>(504,977)</b>	(474,075)
Administrative expenses		<b>(119,872)</b>	(160,140)
Share of profits and losses of associates		<b>(33,668)</b>	(235)
<b>PROFIT BEFORE TAX</b>	5	<b>56,769</b>	147,396
Income tax expense	6	<b>(23,856)</b>	(45,654)
<b>PROFIT FOR THE PERIOD</b>		<b>32,913</b>	101,742
Attributable to:			
Owners of the parent		<b>32,913</b>	101,742
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted (RMB)	8	<b>0.01</b>	0.04

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

For the six months ended 30 June 2024

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>1,122</u>	<u>9,758</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>1,122</u>	<u>9,758</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	<u>3,625</u>	<u>6,702</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>3,625</u>	<u>6,702</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<u>4,747</u>	<u>16,460</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>37,660</u>	<u>118,202</u>
Attributable to:		
Owners of the parent	<u>37,660</u>	<u>118,202</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024	31 December 2023
		RMB'000 (unaudited)	RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,373,211	1,391,225
Right-of-use assets		366,114	385,213
Investment in associates		598,270	631,501
Prepayments		20,325	19,840
Rental deposits		98,670	95,175
Other intangible assets		12,517	13,266
Other financial assets at fair value through profit or loss, non-current		164,769	120,000
Equity investments designated at fair value through other comprehensive income		2,500	2,500
Deferred tax assets		112,841	103,714
<b>Total non-current assets</b>		<b>2,749,217</b>	<b>2,762,434</b>
<b>CURRENT ASSETS</b>			
Inventories		270,983	315,320
Trade receivables	9	69,898	61,260
Prepayments, other receivables and other assets		155,050	161,019
Structured deposits		103,258	514,749
Restricted cash		–	4,000
Cash and bank balances		1,347,354	1,074,477
<b>Total current assets</b>		<b>1,946,543</b>	<b>2,130,825</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings, current		150,000	–
Trade payables	10	91,966	96,402
Other payables and accruals		346,887	376,102
Government grants, current		2,283	2,283
Lease liabilities, current		173,680	168,183
Income tax payable		40,245	41,214
<b>Total current liabilities</b>		<b>805,061</b>	<b>684,184</b>
<b>NET CURRENT ASSETS</b>		<b>1,141,482</b>	<b>1,446,641</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,890,699</b>	<b>4,209,075</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(continued)**

30 June 2024

	Notes	<b>30 June 2024</b>	<b>31 December 2023</b>
		<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
<b>NON-CURRENT LIABILITIES</b>			
Other payables and accruals, non-current		<b>11,687</b>	19,673
Deferred tax liabilities		<b>54,505</b>	92,165
Government grants, non-current		<b>45,595</b>	47,191
Lease liabilities, non-current		<b>79,961</b>	114,636
<b>Total non-current liabilities</b>		<b>191,748</b>	273,665
<b>Net assets</b>		<b>3,698,951</b>	3,935,410
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	11	<b>15</b>	16
Treasury shares		<b>(406,286)</b>	(350,181)
Reserves		<b>4,105,222</b>	4,285,575
<b>Total equity</b>		<b>3,698,951</b>	3,935,410

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

## 1. CORPORATE AND GROUP INFORMATION

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

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

In the opinion of the directors of the Company (the “**Directors**”), the ultimate controlling shareholders of the Company are Mr. Zhou Fuyu and Ms. Tang Jianfang (together known as the “**Controlling Shareholders**”).

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

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period’s financial information.

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

### **3. OPERATING SEGMENT INFORMATION**

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

#### **Information about geographical area**

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

#### **Information about major customers**

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



#### 4. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Revenue from contracts with customers	<b>1,259,511</b>	1,414,764

#### Revenue from contracts with customers

##### (a) Disaggregated revenue information

Types of goods or service	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Modified-Atmosphere-Packaged products	1,072,578	1,212,235
Vacuum-packaged products	135,702	126,531
Franchise fees of retail stores	17,099	19,131
Other products	34,132	56,867
Total revenue from contracts with customers	<b>1,259,511</b>	1,414,764

Timing of revenue recognition	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Goods transferred at a point in time	1,242,412	1,395,633
Service transferred over time	17,099	19,131
Total revenue from contracts with customers	<b>1,259,511</b>	1,414,764

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:

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Sale of goods	28,226	30,327
Franchise fee	12,103	10,512
	<b>40,329</b>	40,839

(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) are as follows:

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (unaudited)</b>
Amounts expected to be recognised as revenue:		
Within one year	<b>48,752</b>	46,531
After one year	<b>11,687</b>	19,673
	<b>60,439</b>	66,204

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (unaudited)</b>
Interest income from bank deposits	<b>18,387</b>	23,941
Interest income from structured deposits	<b>9,070</b>	9,908
Interest income from other financial assets at FVTPL	<b>316</b>	7,637
Government grants*	<b>12,375</b>	4,868
Fair value loss on structured deposits measured at FVTPL	<b>(4,492)</b>	(2,642)
Fair value loss on other financial assets at FVTPL	<b>(10,000)</b>	(8,345)
Fair value gain on financial instruments – embedded derivative component of convertible bonds	–	5,442
Loss on disposal of items of property, plant and equipment, net	<b>(66)</b>	(3,371)
Gain on disposal of items of right-of-use assets	<b>910</b>	3,945
(Loss)/Gain on foreign exchange differences	<b>(8,521)</b>	2,140
Gain from early redemption of convertible bonds	–	5,194
Others	<b>5,616</b>	4,539
Total	<b>23,595</b>	53,256

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

## 5. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2024	2023
		RMB'000 (unaudited)	RMB'000 (unaudited)
Cost of inventories sold		383,587	565,137
Depreciation of property, plant and equipment		58,104	61,843
Depreciation of right-of-use assets		115,872	103,224
Amortisation of other intangible assets		3,521	5,913
Auditors' remuneration		1,200	1,200
Lease payments not included in the measurement of lease liabilities		55,287	42,537
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		223,146	213,910
Equity-settled share-based payment expense, net		(1,872)	16,602
Pension scheme contributions*		35,946	33,502
Other welfare		14,370	15,388
		<b>271,590</b>	<b>279,402</b>
Advertising and promotion expenses		17,548	20,403
E-commerce and online ordering platform related service and delivery fees		66,570	65,273
Fuel cost		6,871	7,045
Utility expenses		18,596	18,606
Share of profits and losses of associates		33,668	235
Transportation expenses		23,780	24,966
Finance cost		5,966	14,223
Loss/(gain) on foreign exchange	4	8,521	(2,140)
Interest income from bank deposits	4	(18,387)	(23,941)
Interest income from structured deposits	4	(9,070)	(9,908)
Interest income from other financial assets at FVTPL	4	(316)	(7,637)
Fair value loss on structured deposits measured at FVTPL	4	4,492	2,642
Fair value loss on other financial assets measured at FVTPL	4	10,000	8,345
Fair value gain on derivative instruments – embedded derivative component of convertible bonds	4	–	(5,442)
Loss on disposal of items of property, plant and equipment	4	66	3,371
Gain from early redemption of convertible bonds	4	–	(5,194)
Impairment of trade receivables		(493)	7,124
Gain on disposal of items of right-of-use assets	4	(910)	(3,945)
Government grants	4	(12,375)	(4,868)

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

## 6. INCOME TAX

The major components of income tax expenses are as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Current – PRC		
Charge for the year	73,967	34,077
(Overprovision)/underprovision in prior periods	(3,324)	2,866
	<u>70,643</u>	<u>36,943</u>
Deferred tax	<u>46,787</u>	<u>8,711</u>
Total tax charge for the period	<u>23,856</u>	<u>45,654</u>

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% (2023: 25%) of the assessable profits of the subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (six months ended 30 June 2023: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (six months ended 30 June 2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (six months ended 30 June 2023: 16.5%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the period.

## 7. INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended June 30, 2024 (June 30, 2023: HK\$0.12 per ordinary share of the Company).

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

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,248,691,112 (six months ended June 30 2023: 2,315,356,033) in issue during the period.

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

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<b>32,913</b>	101,742
Add: Interest on convertible bonds	–	5,910
Fair value gain on the derivative component of the convertible bonds	–	(5,442)
	<u>32,913</u>	<u>102,210</u>
Profit attributable to ordinary equity holders of the parent before interest on convertible bonds	<b>32,913</b>	102,210
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>2,248,691,112</b>	2,315,356,033
Effect of dilution – weighted average number of ordinary shares:		
Restricted share unit scheme	<b>299,740</b>	4,830,748
Convertible bonds	–	36,494,369
	<u>2,248,990,852</u>	<u>2,356,681,150</u>
Earnings per share:		
Basic (RMB)	<b>0.01</b>	0.04
Diluted (RMB)	<b>0.01</b>	0.04

## 9. TRADE RECEIVABLES

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Trade receivables	86,404	78,259
Less: Impairment provision	(16,506)	(16,999)
	<b>69,898</b>	<b>61,260</b>

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:

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Within 3 months	45,443	29,804
3 to 12 months	15,847	31,401
Over 1 year	8,608	55
	<b>69,898</b>	<b>61,260</b>

## 10. TRADE PAYABLES

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

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Within 3 months	73,205	92,559
3 to 6 months	16,391	1,889
6 to 12 months	1,516	1,035
Over 12 months	854	919
	<b>91,966</b>	<b>96,402</b>

The trade payables are non-interest-bearing.

## 11. SHARE CAPITAL

	<b>30 June 2024</b>	<b>31 December 2023</b>
	<b>RMB'000 (unaudited)</b>	<b>RMB'000 (audited)</b>
Authorised:		
50,000,000,000 shares of USD0.000001 each (31 December 2023: 50,000,000,000 shares of USD0.000001 each)	<b>306</b>	306
Issued and fully paid:		
2,327,519,500 shares of USD0.000001 each (31 December 2023: 2,383,140,500 shares of USD0.000001 each)	<b>15</b>	16

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

	<b>Numbers of shares in issue</b>	<b>Share capital</b>	<b>Treasury shares</b>
		<b>RMB'000</b>	<b>RMB'000</b>
At 31 December 2022 and 1 January 2023 (audited)	2,383,140,500	16	(324,459)
Repurchase of shares	–	–	(51,709)
Exercise of share-based awards	–	–	25,987
At 31 December 2023 and 1 January 2024 (audited)	2,383,140,500	16	(350,181)
Repurchase of shares	–	–	(172,946)
Cancellation of shares	(55,621,000)	(1)	92,332
Exercise of share-based awards	–	–	24,509
At 30 June 2024 (unaudited)	<b>2,327,519,500</b>	<b>15</b>	<b>(406,286)</b>

## 12. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2024 and up to August 23, 2024 (being the date of this announcement), no material events were undertaken by the Group.

## OTHER INFORMATION

### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

During the six months ended June 30, 2024, the Company repurchased a total of 81,580,000 Shares (the “**Shares Repurchased**”) on the Hong Kong Stock Exchange at an aggregate consideration of HK\$147,687,203.00. No Shares Repurchased were held as treasury shares of the Company. Particulars of the Shares Repurchased are summarized as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share		Aggregate Consideration HK\$
		Highest	Lowest	
		HK\$	HK\$	
March 2024	1,640,000	1.73	1.73	2,842,548.92
April 2024	33,742,500	1.89	1.64	58,596,983.74
May 2024	26,830,500	2.05	1.80	52,061,035.65
June 2024	19,367,000	1.86	1.70	34,186,634.69
Total	<u>81,580,000</u>			<u>147,687,203.00</u>

A total of 55,621,000 Shares repurchased from March 28, 2024 to May 22, 2024 have been cancelled on May 27, 2024, and the number of Shares in issue was reduced by 55,621,000 Shares as a result of the cancellation. As at June 30, 2024, the total number of Shares in issue was 2,327,519,500.

Save as disclosed above and the purchase of Shares through a designated trustee in accordance with the RSU Scheme, the Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company (including sales of treasury shares) in the six months ended June 30, 2024. As at June 30, 2024, the Company did not hold any treasury shares.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for the deviation from code provision C.2.1 as set of in part 2 of the Corporate Governance Code (the “**Code**”), which is explained in the following paragraph, during the six months ended June 30, 2024, the Company has complied with the applicable code provisions in part 2 of the Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).



Pursuant to code provision C.2.1 in part 2 of the Code, the responsibilities between the chairman and chief executive officer of a listed issuer should be separate and should not be performed by the same individual. Mr. Zhou Fuyu has served as both the chairman of the Board (the “**Chairman**”) and the chief executive officer of the Company (the “**Chief Executive Officer**”) since June 12, 2024, and such practice deviates from the code provision C.2.1 in part 2 of the Code. The Company is currently undergoing an important period of strategic change, and the Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the founder of the Group can effectively promote the implementation of the Group’s key strategies, ensure consistent leadership to advance long-term strategies, and further optimize the operating efficiency of the Group and enhance the operating quality of the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Company will continue to enhance its corporate governance practice which is appropriate to the conduct and growth of its business.

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. Having made specific inquiry of all Directors, they have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2024.

#### **AUDIT COMMITTEE**

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

The Audit Committee has reviewed and discussed the Interim Results for the six months ended June 30, 2024.

#### **INTERIM DIVIDEND**

The Board proposed not to declare any interim dividend for the six months ended June 30, 2024 (June 30, 2023: HK\$0.12 per ordinary share of the Company).

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

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

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

Hong Kong, August 23, 2024

*As at the date of this announcement, the executive Directors of the Company are Mr. Zhou Fuyu, Mr. Lyu Hanbin and Ms. Wang Yali; and the independent non-executive Directors of the Company are Mr. Chan Kam Ching, Paul, Mr. Lu Weidong and Mr. Chen Chen.*