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**YIHAI INTERNATIONAL HOLDING LTD.**

**頤海國際控股有限公司**

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

**(Stock Code: 01579)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

The board of directors (the “**Board**”) of Yihai International Holding Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2016 (the “**Reporting Period**”), together with comparative figures for the same period of 2015.

## Interim Condensed Consolidated Statement of Financial Position

	Note	Unaudited 30 June 2016 RMB'000	Audited 31 December 2015 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Land use rights		32,094	7,330
Property, plant and equipment		117,234	120,491
Intangible assets		769	823
Deferred income tax assets		5,915	5,697
Prepayments for property, plant and equipment		4,470	1,748
<b>Total non-current assets</b>		<u>160,482</u>	<u>136,089</u>
<b>Current assets</b>			
Inventories		64,071	102,754
Trade receivables	6	58,641	63,838
Prepayments and other receivables		41,005	51,467
Derivative financial instruments		—	—
Cash and cash equivalents		122,511	235,216
<b>Total current assets</b>		<u>286,228</u>	<u>453,275</u>
<b>Total assets</b>		<u>446,710</u>	<u>589,364</u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	7	31	31
Reserves	8	172,757	141,893
<b>Total equity</b>		<u>172,788</u>	<u>141,924</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Redeemable convertible preferred shares	10	197,049	186,667
<b>Current liabilities</b>			
Trade payables	9	26,543	43,324
Other payables and accruals		45,345	196,915
Current income tax liabilities		4,985	20,534
<b>Total current liabilities</b>		<u>76,873</u>	<u>260,773</u>
<b>Total liabilities</b>		<u>273,922</u>	<u>447,440</u>
<b>Total equity and liabilities</b>		<u>446,710</u>	<u>589,364</u>

## Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Unaudited	
		Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
Revenue	5	402,897	307,341
Cost of sales	11	(267,579)	(226,328)
<b>Gross profit</b>		135,318	81,013
Distribution expenses	11	(57,216)	(37,603)
Administrative expenses	11	(22,750)	(11,953)
Other incomes and gains - net	12	6,507	641
Fair value loss of redeemable convertible preferred shares	10	(10,382)	—
<b>Operating profit</b>		51,477	32,098
Finance income - net	13	2,167	166
<b>Profit before income tax</b>		53,644	32,264
Income tax expense	14	(18,362)	(8,003)
<b>Profit for the period</b>		<u>35,282</u>	<u>24,261</u>
<b>Profit attributable to:</b>			
Owners of the Company		<u>35,282</u>	<u>24,261</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Cash flow hedges		(252)	—
<b>Other comprehensive income for the period, net of tax</b>		<u>(252)</u>	<u>—</u>
<b>Total comprehensive income</b>		<u>35,030</u>	<u>24,261</u>
<b>Total comprehensive income attributable to:</b>			
– Owners of the Company		<u>35,030</u>	<u>24,261</u>
<b>Earnings per share attributable to equity holders of the Company (expressed in RMB per share)</b>			
– Basic	15	0.054	0.051
– Diluted	15	<u>0.054</u>	<u>0.051</u>

## Interim Condensed Consolidated Statement of Changes in Equity

	Note	Share capital (Note 7) RMB'000	Reserves (Note 8) RMB'000	Total Equity RMB'000
<b>Balance at 1 January 2016 (Audited)</b>		31	141,893	141,924
<b>Comprehensive income</b>				
Profit for the period		—	35,282	35,282
Cash flow hedges		—	(252)	(252)
<b>Total comprehensive income</b>		—	35,030	35,030
<b>Transactions with owners</b>				
Shares repurchased	8	—	(4,166)	(4,166)
<b>Balance at 30 June 2016 (Unaudited)</b>		<u>31</u>	<u>172,757</u>	<u>172,788</u>
<b>Balance at 1 January 2015 (Audited)</b>		<u>12</u>	<u>45,726</u>	<u>45,738</u>
<b>Comprehensive income</b>				
Profit for the period		—	24,261	24,261
<b>Total comprehensive income</b>		—	24,261	24,261
<b>Transactions with owners</b>				
Issuance of ordinary shares	7,8	14	12,053	12,067
Shareholders' contributions		—	(382)	(382)
<b>Total transactions with owners</b>		<u>14</u>	<u>11,671</u>	<u>11,685</u>
<b>Balance at 30 June 2015 (Unaudited)</b>		<u><u>26</u></u>	<u><u>81,658</u></u>	<u><u>81,684</u></u>

## Interim Condensed Consolidated Statement of Cash Flows

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	Note	<b>2016</b>	<b>2015</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Cash flows from operating activities</b>			
Cash generated from/(used in) operations		96,685	(8,299)
Interest received	13	27	19
Income tax paid		(34,129)	(20,150)
<b>Net cash generated from/(used in) operating activities</b>		<u>62,583</u>	<u>(28,430)</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		(7,021)	(10,117)
Purchases of land use rights		(24,912)	—
Proceeds from disposal of property, plant and equipment		161	2,873
Purchases of intangible assets		(31)	(237)
<b>Net cash used in investing activities</b>		<u>(31,803)</u>	<u>(7,481)</u>
<b>Cash flows from financing activities</b>			
(Decrease)/increase in amounts due to related parties		(141,459)	43,528
Repurchase of shares		(4,166)	—
Deemed distribution to shareholders		—	(382)
<b>Net cash (used in)/generated from financing activities</b>		<u>(145,625)</u>	<u>43,146</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(114,845)	7,235
Cash and cash equivalents at beginning of period		235,216	9,222
Exchange gains on cash and cash equivalents		2,140	147
<b>Cash and cash equivalents at end of period</b>		<u><u>122,511</u></u>	<u><u>16,604</u></u>

## Notes to the Condensed Consolidated Interim Financial Information

### 1. General information

Yihai International Holding Ltd. (the “Company”) and its subsidiaries (together the “Group”) are principally engaged in the production and sale of hot pot soup flavoring products, hot pot dipping sauce products and Chinese style compound condiment products in the People’s Republic of China (the “PRC”), collectively referred to as the “Listing Business”.

The Company was incorporated in the Cayman Islands on 18 October 2013 as an exempted company with limited liability under the Companies Law Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 4th floor, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, the Cayman Islands.

As at 30 June 2016, the ultimate holding company of the Company is ZYSP Yihai Ltd. which is wholly owned by Mr. Zhang Yong and Ms. Shu Ping collectively. Ms. Shu Ping is the wife of Mr. Zhang Yong and they are collectively referred to as the “Ultimate Shareholders”.

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”), the Listing Business was principally carried out by Sichuan Haidilao Catering Corporation Ltd. (“Sichuan Haidilao”) and its affiliated companies which are majority owned by the Ultimate Shareholders. In the preparation of the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Listing”), the Reorganisation was completed on 31 December 2015 and pursuant to which the companies engaged in the Listing Business under common control of the Ultimate Shareholders were transferred to the Company.

The Company’s global offering of its shares (“Global Offering”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “HKSE” or the “Stock Exchange”) was completed on 13 July 2016 with issuance of 260,000,000 new shares with nominal value of US\$0.00001 each at an offering price of HK\$3.3 per share.

On 12 August 2016, the Company issued additional 6,900,000 new shares with nominal value of US\$0.00001 each upon the exercises of over-allotment of the Global Offering at a price of HK\$3.3 per share.

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

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34 (“IAS”), ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2015 presented in the Appendix I (“the Accountant’s Report”) to the prospectus of the Company as issued on 30 June 2016 (the “Prospectus”), which has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

Prior to and following the Reorganisation (as mentioned in Note 1), all companies comprising the Group were directly or indirectly controlled by the Ultimate Shareholders. The Reorganisation, as completed on 31 December 2015, has been accounted for as a reorganisation of business under common control in a manner similar to merger accounting, and accordingly the assets and liabilities of the Listing Business transferred to the Company have been stated at historical carrying amounts and the comparative financial information for the six months ended 30 June 2015 has been prepared as if the Listing Business were transferred to the Company as of the beginning of the period presented.

### **3. Accounting policies**

The accounting policies applied are consistent with those of the financial statement for the year ended 31 December 2015, as described in the Accountant's Report except for the adoption of amendments to IFRSs effective for the financial year ending 31 December 2016.

#### **(a) Changes effective for annual periods beginning on or after 1 January 2016**

Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### **(b) Impact of standards issued but not yet applied by the Group**

##### **(i) IFRS 9 'Financial Instruments'**

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard does not need to be applied until 1 January 2018 but is available for early adoption. The Group is currently assessing the impact of this new standard as well as whether it should adopt IFRS 9 before its mandatory date.

##### **(ii) IFRS 15 'Revenue from contracts with customers'**

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim period within annual reporting period beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

### **4. Seasonality of operations**

Sales of the Group's products are subject to seasonal fluctuations, with peak demand in the second half of the year. This is due to seasonal weather conditions and holiday periods. In the financial year ended 31 December 2015, 36.3% of revenues accumulated in the first half of the year, with 63.7% accumulating in the second half.

## 5. Revenue and segment information

Management determines the operating segments based on the reports reviewed by the chief operating decision-makers (“CODM”) that are used to make strategic decisions. The Group’s revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacture and sales of hot pot soup flavoring products, hot pot dipping sauce products and China-style compound condiment products to external customers, which are considered as one segment. The Group’s principal market is the PRC and its sales to overseas customers contributed to less than 5% of the total revenues. Accordingly, no geographical information is presented.

Breakdown of revenue by product category is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB’000</b>	<b>RMB’000</b>
<b>Revenue</b>		
Hot pot soup flavouring products		
– Related parties	275,124	199,521
– Third parties	64,556	65,883
Subtotal	<u>339,680</u>	<u>265,404</u>
Hot pot dipping sauce products		
– Related Parties	55	49
– Third Parties	15,079	7,168
Subtotal	<u>15,134</u>	<u>7,217</u>
China style compound condiment products		
– Related parties	5,510	3,597
– Third parties	36,271	26,935
Subtotal	<u>41,781</u>	<u>30,532</u>
Others		
– Related parties	3,622	4,053
– Third parties	2,680	135
Subtotal	<u>6,302</u>	<u>4,188</u>
<b>Total</b>	<u><u>402,897</u></u>	<u><u>307,341</u></u>

Revenue from sales attributable to related parties accounted for 70.6% and 67.4% of the total revenue for the periods ended 30 June 2016 and 2015 respectively.

## 6. Trade receivables

	<b>Unaudited 30 June 2016</b>	<b>Audited 31 December 2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Third parties	4,795	5,331
Related parties (Note 17(d))	53,846	58,507
Subtotal	58,641	63,838
Less: provision for impairment	—	—
Trade receivables – net	<u>58,641</u>	<u>63,838</u>

- (a) The majority of the Group's third party sales are conducted through receiving advances from customers before delivering the goods to customers, with only few customers are granted with credit periods ranged from 30 to 60 days. The related party customers of the Group are granted with 30 days credit period. Ageing analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	<b>Unaudited 30 June 2016</b>	<b>Audited 31 December 2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Within 3 months	58,553	63,838
3 to 6 months	88	—
	<u>58,641</u>	<u>63,838</u>

The carrying amounts of trade receivables above approximate their fair values.

- (b) No trade receivables were overdue but not impaired as at 30 June 2016 and 31 December 2015.

## 7. Share capital

### Authorised ordinary shares

	Number of ordinary shares	Nominal value of ordinary shares US\$
Ordinary shares of US\$0.00001 each at 31 December 2015	1,000,000,000	10,000
Increase in authorised share capital on 20 June 2016 (a)	4,000,000,000	40,000
Ordinary shares of US\$0.00001 each at 30 June 2016	<u>5,000,000,000</u>	<u>50,000</u>

(a) On 20 June 2016, the authorised share capital of the Company was increased from US\$10,000 to US\$50,000 by the creation of 4,000,000,000 ordinary shares with nominal value of US\$0.00001 each.

### Issued and fully paid ordinary shares:

	Number of ordinary shares	Nominal value of ordinary shares US\$	Equivalent nominal value of ordinary shares RMB'000
<b>Ordinary shares as at 31 December 2015 and 30 June 2016</b>	488,000,000	4,880	31
Conversion of redeemable convertible preferred shares (b)	54,222,222	542	4
Capitalisation issue (c)	237,777,778	2,378	16
Issuance of ordinary shares upon Global Offering (d)	<u>260,000,000</u>	<u>2,600</u>	<u>17</u>
<b>At 13 July 2016</b>	1,040,000,000	10,400	68
Issuance of ordinary shares upon exercise of over-allotment option (d)	6,900,000	69	—
<b>At 12 August 2016</b>	<u>1,046,900,000</u>	<u>10,469</u>	<u>68</u>

(b) Conversion of redeemable convertible preferred shares

Save as disclosed in Note 10, as at 13 July 2016, the redeemable convertible preferred shares have been automatically converted into 78,000,000 ordinary shares upon listing of the Company's shares on the Main Board of HKSE.

(c) Capitalisation issue

Pursuant to a written resolution of all shareholders of the Company (the "Shareholders") passed on 20 June 2016, conditional upon the share premium account of the Company being credited as a result of the issuance of new shares pursuant to the Global Offering, the directors of the Company (the "Director") were authorised to capitalise an amount of US\$2,378 towards paying up in full at par of 237,777,778 ordinary shares of US\$0.00001 each for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on the business day before 13 July 2016 in proportion to their then existing shareholding. Accordingly, 237,777,778 ordinary shares with par value of US\$0.00001 each are issued and US\$2,378 (equivalent to RMB15,907) are credited to share capital.

(d) Issuance of new ordinary shares to public upon Global Offering

On 13 July 2016, upon its listing on HKSE, 260,000,000 ordinary shares each were issued at a price of HK\$ 3.3 per share for a total cash consideration, before related issuance expenses, of approximately HK\$ 858,000,000 (equivalent to RMB 739,767,600). Dealings in these shares on HKSE commenced on 13 July 2016. Accordingly, 260,000,000 ordinary shares with par value of US\$0.00001 each are issued and US\$2,600 (equivalent to RMB17,392) are credited to share capital, and remaining amounts, after netting of listing expenses, are credited to share premium.

On 12 August 2016, the Company issued additional 6,900,000 new shares with nominal value of US\$0.00001 each for the exercises of over-allotment of the Global Offering at a price of HK\$3.3 per share and 6,900,000 ordinary share with par value of US\$0.00001 each are issued and US\$69 (equivalent to RMB459) are credited to share capital, and remaining amounts, after netting of listing expenses, are credited to share premium.

## 8. Reserves

	Share premium	Treasury shares	Merger reserve (Note c)	Statutory reserve (Note d)	Hedging reserve (Note e)	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016 (Audited)	17,649	—	(445)	8,843	514	115,332	141,893
Profit for the period	—	—	—	—	—	35,282	35,282
Shares repurchased (Note a)	(4,163)	(3)	—	—	—	—	(4,166)
Cash flow hedging	—	—	—	—	(252)	—	(252)
As at 30 June 2016 (Unaudited)	<u>13,486</u>	<u>(3)</u>	<u>(445)</u>	<u>8,843</u>	<u>262</u>	<u>150,614</u>	<u>172,757</u>
As at 1 January 2015 (Audited)	—	—	44,148	1,039	—	539	45,726
Profit for the period	—	—	—	—	—	24,261	24,261
Issuance of ordinary shares	12,053	—	—	—	—	—	12,053
Deemed distribution to shareholders (Note b)	—	—	(382)	—	—	—	(382)
As at 30 June 2015 (Unaudited)	<u>12,053</u>	<u>—</u>	<u>43,766</u>	<u>1,039</u>	<u>—</u>	<u>24,800</u>	<u>81,658</u>

- (a) In February 2016, the Company adopted the restricted share unit (“RSU”) scheme that permits the granting of RSUs to (i) the Directors, officers, senior management and certain employees of the Group; and (ii) any person who, in the sole opinion of the board of directors of the Company (“Board”), has contributed or will contribute to any member of the Group. An award of RSU gives the grantee a conditional right upon vesting of the award obtain either ordinary shares or an equivalent value in cash with reference to the market value of the ordinary shares on or about the date of vesting, as determined by the Board in its absolute discretion, less any tax, fees, levies, stamp duty and other charges applicable. The effective period of the scheme is 10 years, and other specific terms such as vesting period, grant price, etc., have not been defined in the scheme.

The Company repurchased 53,680,000 ordinary shares from JLJH YIHAI Ltd., one of the shareholder of the Company at a total consideration of US\$638,108 (equivalent to RMB 4,166,000). These treasury shares have been held by Vistra Fiduciary (HK) Limited (“RSU Trustee”) on trust for the benefit of the participants to the scheme and will be released to participants upon granting and vesting of each RSU.

The shares of the RSU scheme changed to 77,220,000 after the capitalisation issue as mentioned in Note 7 (c).

As of the date of this report, no RSU had been granted or agreed to be granted by the Company.

- (b) Deemed distribution to Shareholders in the six months ended 30 June 2015 mainly represented drawings made by Sichuan Haidilao from the Listing Business.
- (c) The merger reserve represented the aggregate difference between the considerations paid and the carrying amounts of the acquired Listing Business pursuant to the completion of the Reorganisation (Note 1).
- (d) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.
- (e) The hedging reserve represented the effective portion of the accumulative change in the fair value of hedging instruments, net of tax, pending subsequent recognition in profit or loss.

## 9. Trade payables

Trade payables were mainly arising from the purchase of materials. The credit terms of trade payables granted by the vendors are usually 30 to 90 days. At 30 June 2016 and 31 December 2015, the ageing analysis of the trade payables based on invoice date were are follows:

	<b>Unaudited 30 June 2016 RMB'000</b>	<b>Audited 31 December 2015 RMB'000</b>
Within 3 months	25,720	42,937
3 to 6 months	787	352
6 months to 1 year	36	35
Total	<u>26,543</u>	<u>43,324</u>

## 10. Redeemable convertible preferred shares

On 14 December 2015, the Company issued 54,222,222 shares of series A preferred shares with redemption and conversion features ("RCPS") at an issue price of RMB 3.44 per share to two independent third parties, namely Glorious Future Holding Limited and Charlin Holding Limited (collectively referred to as the "Preferred Shareholders"), for an aggregate consideration of RMB 186,667,000.

Certain key features of the RCPS are as follows:

### ***Liquidation***

In a liquidation event, all assets and funds of the Company legally available for distribution to the Shareholders shall be distributed as follows:

- (i) Prior to and in preference to any distribution of any of the assets of the Company to the common Shareholders, the Preferred Shareholders shall be entitled to receive for each outstanding RCPS held, an amount equal to 100% of the RCPS's purchase price, plus an annual simple return of 10% accrued thereon, and plus all declared but unpaid dividend (the "Preference Amount");
- (ii) After the full Preference Amount has been paid, the remaining assets and funds of the Company legally available for distribution to the shareholders (both ordinary shareholders and Preferred Shareholders) shall be distributed ratably among the Shareholders (both ordinary shareholders and Preferred Shareholders) in proportion to the number of shares (both ordinary shares and RCPS) held by them (calculated on an as converted to common shares basis).

### ***Conversion***

The RCPS may, at the option of the holder, be converted at any time in ordinary shares. The RCPS shall automatically be converted into ordinary shares upon the closing of a qualified IPO (as defined by the Company's memorandum of association).

The initial conversion ratio/price for the RCPS to ordinary shares are 1:1. This 1:1 ratio does not take consideration of the fact that the ordinary shares is at par value of US\$ 0.00001 and issue price of RCPS is at RMB 3.44 per share. The initial conversion ratio/price is subject to adjustments for certain factors, including share split, share division, share combination, share dividend, reorganisation, merger, combination, reclassification, exchange, substitution, recapitalisation or similar events (other than certain excepted issuances, such as new securities issuance under a qualified IPO).

### ***Redemption***

Upon the earlier of the occurrence of the following trigger events: (1) the Company fails to complete the qualified Global Offering by 31 December 2018, (2) the Company's consolidated after-tax net profit, after deducting non-recurring profit and loss (including but not limited to, the issuance of the RCPS and Global Offering related expenses) for the fiscal year of 2015 equals to or is less than RMB 87.9 million, within ninety (90) days after the Company receives the written request from the majority of the holders of the RCPS, the Company shall redeem all of the outstanding RCPS.

The redemption price for each preferred share shall equal to 100% of the Preferred Share purchase price, plus an annual simple return of 10% accrued thereon.

The Group designates the redeemable convertible preferred shares as financial liabilities at fair value through profit or loss. The entire redeemable convertible preferred shares are initially and subsequently measured at fair value, with changes in fair value recognised in the consolidated statements of comprehensive income in the period in which they arise.

The initial recognition of proceeds to the RCPS are as follows:

	<b>Fair value of the RCPS</b>
	<b>RMB'000</b>
As at 31 December 2015 (Audited)	186,667
Fair value loss of RCPS	10,382
As at 30 June 2016 (Unaudited)	<u>197,049</u>

### **Valuation process of the Group**

The fair value of the RCPS as at 30 June 2016 was determined based on valuation performed by an independent professionally qualified valuer.

### **Valuation techniques**

Key valuation assumptions used to determine the fair value of the RCPS are as follows:

The fair value has been determined using a discounted cash flow model. The valuation requires management to make certain assumptions about unobservable inputs to the model, of which the significant unobservable inputs are disclosed in the table below. An increase in the discount rate used to discount the forecast cash flows or decrease in the average revenue growth rate/terminal growth rate would lead to a decrease in the fair value.

	<b>As at 30 June 2016</b>
Risk free rate	2.86%
Market Premium	7.90%
Weighted average cost of capital	18.63%
Terminal growth rate	3%

Save as disclosed in Note 1, on 13 July 2016, all RCPS were automatically converted into 78,000,000 ordinary shares (after the capitalisation issue as mentioned in Note 7(b)) and the fair value of RCPS was changed to RMB221,930,000 on 13 July 2016 and a fair value loss of RMB24,881,000 was resulted thereon.

## 11. Expenses by nature

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

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Raw materials used	276,111	224,780
Changes in inventories of finished goods and work in progress	(36,496)	(24,547)
Employee benefit expenses	49,641	35,278
Advertising and other marketing expenses	19,139	11,875
Depreciation of property, plant and equipment	7,348	8,912
Utilities	3,266	3,688
Transportation and related charges	6,864	5,571
Listing related expenses	9,375	—
Legal and professional fees	656	855
Management service fee (Note 17 (b))	—	1,085
Travel and entertainment expenses	491	295
Warehouse expenses	2,119	2,069
Rental expenses	5,306	2,300
Taxes and surcharges	826	378
Amortisation of land use rights	148	252
Amortisation of intangible assets	85	10
Auditor's remuneration	600	—
Other expenses	2,066	3,083
Total	<u>347,545</u>	<u>275,884</u>

## 12. Other incomes and gains-net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Government grant	6,230	300
Sales of scrap materials	183	326
Losses on disposal of property, plant and equipment	(46)	(1)
Others	140	16
Total other incomes and gains, net	<u>6,507</u>	<u>641</u>

### 13. Finance income - net

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Interest income	27	19
Exchange gains	2,140	147
Net finance income	<u>2,167</u>	<u>166</u>

### 14. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Current income tax	18,496	7,235
Deferred tax	(134)	768
Income tax expense	<u>18,362</u>	<u>8,003</u>

#### (a) *Cayman Islands income tax*

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

#### (b) *PRC Corporate Income Tax ("CIT")*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual earnings. The applicable tax rate of PRC enterprises is 25%.

#### (c) *PRC withholding tax ("WHT")*

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be 5%.

According to the shareholding's resolution dated on 30 June 2016, the consolidated retained earnings of the Group's subsidiaries incorporated in the PRC as at 30 June 2016 will not be distributed in the foreseeable future. As a result, no deferred tax liability was recognised.

## 15. Earnings per share

### (a) Basic

Basic earnings per share is calculated by dividing the profit of the Group attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Unaudited	
	Six months ended 30 June	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	35,282	24,261
Weighted average number of ordinary shares in issue (thousands)	651,696	475,492

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for both periods has been adjusted for the effect of 237,777,778 ordinary shares to be allotted and issued, credited as fully paid to the then Shareholders pursuant to the capitalisation issue immediately completing the Global Offering (Note 7(c)).

### (b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The RCPS are the only dilutive potential ordinary shares as at 30 June 2016. During the period ended 30 June 2016, the Company's RCPS were anti-dilutive and the diluted earnings per share is the same as basic earnings per share.

	Unaudited	
	Six months ended 30 June	
	2016	2015
Earnings-		
Profit for the period	35,282	24,261
Adjustment for fair value loss of RCPS	10,382	—
Profit used to determine diluted earnings per share (RMB'000)	45,664	24,261
Weighted average number of ordinary shares in issue for basic earnings per share (thousands)	651,696	475,492
Adjustments for:		
Assumed conversion of RCPS and after the capitalisation issue (thousands)	78,000	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	729,696	475,492

## 16. Dividends

The Board of Directors does not recommend payment of an interim dividend for the six months ended 30 June 2016. Refer to Note 8(b) for the deemed distribution during the six months period ended 30 June 2015.

## 17. Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Save as disclosed elsewhere in this interim financial information, the Group has the following related party transactions, and they were carried out in the ordinary course of the Group's business and were determined based on mutually agreed terms.

Name and relationship with related parties:

<b>Names of the related parties</b>	<b>Nature of relationship</b>
Sichuan Haidilao and its subsidiaries ("Sichuan Haidilao Group")	Companies beneficially owned by the Ultimate Shareholders
HAI DI LAO HOLDINGS PTE. LTD. and its subsidiaries ("Singapore Haidilao Group")	Company beneficially owned by the Ultimate Shareholders
Shuhai (Beijing) Supply Chain Management Co., Ltd. ("Shuhai Supply Chain")	Companies beneficially owned by the Ultimate Shareholders
Youdingyou (Beijing) Food Ltd. ("Youdingyou")	Companies beneficially owned by the Ultimate Shareholders
New High Lao International Holding Ltd. ("New High Lao")	Companies beneficially owned by the Ultimate Shareholders

Sichuan Haidilao Group and Singapore Haidilao Group are collectively referred to as "Haidilao Group".

All the transaction with related parties were conducted in accordance with the terms of contracts entered into between the Group and the related parties.

### (a) Sales of goods

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Haidilao Group	279,397	203,992
Shuhai Supply Chain	2,859	2,437
Youdingyou	2,055	791
Total	<u>284,311</u>	<u>207,220</u>

(b) *Management service fee, warehouse and rental expenses*

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
<b>Management service fee</b>		
Haidilao Group	—	1,085
	<u>          </u>	<u>          </u>
<b>Warehouse and rental expenses</b>		
Haidilao Group	2,823	2,069
	<u>          </u>	<u>          </u>

(c) *Key management compensation*

	Unaudited	
	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
Salaries, allowance and other benefits	1,617	1,450
	<u>          </u>	<u>          </u>

(d) *Period/Year-end balances with related parties were as follows:*

	Unaudited	Audited
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
<b>Assets</b>		
Trade receivables		
– Haidilao Group	53,210	57,566
– Shuhai Supply Chain	411	506
– Youdingyou	225	435
	<u>          </u>	<u>          </u>
Subtotal	53,846	58,507
	<u>          </u>	<u>          </u>
<b>Other receivables</b>		
– An officer of the Group	390	450
	<u>          </u>	<u>          </u>
Total	54,236	58,957
	<u>          </u>	<u>          </u>

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Liabilities</b>		
Other payables		
– Haidilao Group	1,891	141,633
– New High Lao	119	—
	<u>2,010</u>	<u>141,633</u>
Total	<u>2,010</u>	<u>141,633</u>

All the balances with related parties are unsecured, bear no interest and short-term in nature.

**(e) Free trademark license agreement**

On 1 December 2015, the Group entered into two trademark license agreements with Sichuan Haidilao in respect of certain trademarks which had been registered by the name of Sichuan Haidilao in the PRC and certain trademarks which are in the process of registration by Sichuan Haidilao in the PRC (collectively, the “Trademark License Agreements”), pursuant to which Sichuan Haidilao agreed to license such trademarks for the Group to use in connection with the Group’s operations on an exclusive and royalty-free basis for a perpetual term commencing from 1 January 2007 to the extent permissible under the Listing Rules, relevant laws and regulations.

**18 Events occurring after the balance sheet date**

Save as disclosed in Note 1, 7 and 10 of this condensed consolidated interim financial statements, there are no other material subsequent events undertaken by the Group after 30 June 2016 and up to the date of issue of these condensed consolidated interim financial information.

## **2016 FIRST HALF PERFORMANCE REVIEW**

In the first half of 2016, against a backdrop of economic downturn in the PRC, the Company recorded a revenue of RMB402.9 million, representing a year-on-year increase of 31.1%; and a net profit of RMB35.3 million, representing a year-on-year increase of 45.4%, both having achieved the stated targets.

In the first half of 2016, the Company's focus of operation was exploring sales channels and improving product structure. As of 30 June 2016, the number of distributors of the Company was 526, representing an increase of 187 as compared with the end of 2015. Since March 2016, the Company has successively launched 10 new products such as premium boiled fish condiment, pickled chili sour fish soup condiment, chili bean sauce condiment, spicy red swamp crawfish condiment and Chongqing-style noodles condiment, and the improved products of existing pickles and fish stew condiment, which have effectively relieved the issue of insufficient products in summer.

Despite overall slowdown of economic growth in China in recent years, the PRC condiment industry, especially the compound condiment industry, will continue to achieve rapid growth with increased urbanization and on-going upgrade of consumption. Through organic growth and external development, the Company will continue to explore sales channels, improve product mix and enhance sales capability of sales terminals, so as to further enhance the market share and presence of the Company.

In the second half of the year, the Company will continue to invest in products and sales terminals.

In respect of products, with the arrival of the peak season of hot pot condiments, the Company will introduce more new products of hot pot soup flavoring, continue to promote vegetable oil hot pot soup flavoring products and spicy stir-fry pot condiment products, launch new beef tallow hot pot soup flavoring products, timely introduce Chinese-style compound condiment products such as barbecue sauce, and meanwhile promote trial sales of new products to prepare for the formal launch of new products next year.

In respect of investment in sales terminals, with the smooth conduction of nationwide channel development and channel strategy optimizing of the Company, the number of the Company's distributors has further increased, and the Company's control on sale promotion in sales terminal and product display have further strengthened. In the second half of the year, the Company will strive to enhance sales capability of sales terminals while continue to deepen the network penetration in the northern China region and continue to expand sales network coverage in the southern China region. The Company will also enhance terminal sales by way of, among other things, creating standard sales points, optimizing product display, increasing number of tasting events, increasing number of sales staff and peak season promotional activities.

### **Business Review**

In the first half of 2016, against a backdrop of economic downturn in the PRC, our Company recorded a revenue of RMB402.9 million, representing a year-on-year increase of 31.1%; and a net profit of RMB35.3 million, representing a year-on-year increase of 45.4%, both having achieved the stated targets.

## Sales Channels

In the first half of 2016, the focus of operation of the Company was exploring sales channels and improving product structure. The Company managed the retail business by different regions in China so as to better cope with the industrial characteristics of apparent regionalization of condiments. In northern China, the Company nurtured existing sales channels in first and second-tier cities while developing sales channels in third and fourth-tier cities, and expanded marketing network to lower tier cities. In southern China, the Company strengthened development of distributors so as to lay out distribution networks for the forthcoming peak seasons. As of 30 June 2016, the number of distributors of the Company was 526, representing an increase of 187 as compared with the end of 2015. As of 30 June 2016, the distributors of the Company covered 31 provincial territories, all first-tier cities, 32 second-tier cities, 231 third-and fourth-tier and lower tier cities in China and 11 overseas countries and markets, enabling the Company's products to reach over 6,300 hypermarkets and supermarkets in China, and traditional retail channels.

Benefited from the growth in consumption of hot pot catering and increased number of Haidilao restaurants in China, from 142 in 2015 to 150 in first half of 2016, coupled with the fact that the Company further increased the price of certain Related-party Customized Products (Haidilao Customized Products, Shuhai Customized Products and Youdingyou Customized Products) and Related-party Retail Products (Haidiao Retail Products, Shuhai Retail Products and Youdingyou Retail Products)<sup>(1)</sup> in August 2015, sales revenue from sales to related-party, which mainly represent sales to Haidilao Group<sup>(2)</sup>, in the first half of 2016 amounted to RMB284.3 million, representing an increase of 37.2% as compared with the corresponding period of last year.

Affected by seasonality of the Company's products, together with the restructuring of distributor channels by the Company during January to March 2016, the Company recorded a slowdown in the growth of its retail business. In the first half of 2016, sales revenue from sales to distributors amounted to RMB112.3 million, representing a year-on-year increase of 14.4%. As of 30 June 2016, the restructuring of distributor channels has mostly been completed.

In 2015, the Company increased the efforts on online sales, and set up a special team responsible for exploring e-commerce channels and carrying out targeted online marketing activities which had 24 members as of June 30, 2016. Meanwhile, the Company further strengthened management of e-commerce channels, including unifying purchase channels, managing pricing system and strengthening online marketing promotion activities to support the development of e-commerce channels. Sales revenue of the Company from e-commerce channels in the first half of 2016 was RMB5.4 million, representing a year-on-year increase of 448.9%.

Since 2016, the Company has set up a special team to actively explore third-party catering company customers and developed catering standardized products and customized products. The number of the Company's third-party catering company customers had increased from 5 in the first half of 2015 to 15 in the first half of 2016. Sales revenue from sales to third-party catering companies for the first half of 2016 amounted to RMB0.5 million, representing a year-on-year increase of 84.3%.

*Note:*

- (1) Please refer to the Prospectus further details of the Products.
- (2) Haidilao Group refers to Sichuan Haidilao Group and Singapore Haidilao Group, the principal business of which is to operate hot pot restaurant chain in the PRC and oversea countries.

## Products

Since March 2016, the Company has successively launched 10 new products such as premium boiled fish condiment, pickled chili sour fish soup condiment, chili bean sauce condiment, spicy red swamp crawfish condiment and Chongqing-style noodles condiment, and the improved products of existing pickles and fish stew condiment, which have effectively relieved the issue of insufficient products in summer. Through tasting events, “Chinese New Year” promotion events and summer promotion activities, the Company has reached over 10,000,000 consumers and effectively boosted terminal sales. The Company also communicated with consumers and promoted our promotion materials by using new social media (such as Wechat). As of 30 June 2016, the official Wechat account of the Company had around 700,000 fans.

The table below sets forth information on the revenue, sales volume and average selling price of the Company, by product type and distribution channels for the periods indicated:

	Six months ended 30 June					
	2016			2015		
	Revenue	Sales Volume	ASP	Revenue	Sales Volume	ASP
(RMB'000)	(Tons)	(RMB per kg)	(RMB'000)	(Tons)	(RMB per kg)	
<b>Hot pot soup flavoring</b>						
Related parties	275,124	9,752	28.2	199,521	7,702	25.9
Third parties	64,556	2,043	31.6	65,883	2,158	30.5
Sub Total	<u>339,680</u>	<u>11,795</u>	<u>28.8</u>	<u>265,404</u>	<u>9,860</u>	<u>26.9</u>
<b>Hot pot dipping sauce</b>						
Related parties	55	3	18.3	49	3	15.5
Third parties	15,079	846	17.8	7,168	382	18.8
Sub Total	<u>15,134</u>	<u>849</u>	<u>17.8</u>	<u>7,217</u>	<u>385</u>	<u>18.7</u>
<b>Chinese-style compound condiment</b>						
Related parties	5,510	242	22.8	3,597	189	19.0
Third parties	36,271	1,601	22.6	26,935	1,069	25.2
Sub Total	<u>41,781</u>	<u>1,843</u>	<u>22.7</u>	<u>30,532</u>	<u>1,258</u>	<u>24.3</u>
Total	<u>402,897</u>	<u>14,870</u>	<u>27.1</u>	<u>307,341</u>	<u>11,824</u>	<u>26.0</u>

The table below sets forth the revenue of the Company by product type in absolute amount and as percentages of the total revenue of the Company for the periods indicated:

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>RMB'000</b>	<b>% of revenue</b>	<b>RMB'000</b>	<b>% of revenue</b>
Revenue from hot pot soup flavoring	339,680	84.3%	265,404	86.4%
Revenue from hot pot dipping sauce	15,134	3.8%	7,217	2.3%
Revenue from Chinese-style compound Condiment	41,781	10.4%	30,532	9.9%
Revenue from others	6,302	1.5%	4,188	1.4%
<b>Total revenue</b>	<b>402,897</b>	<b>100.0%</b>	<b>307,341</b>	<b>100.0%</b>

In the first half of 2016, revenue from sales of hot pot soup flavoring products of the Company was RMB339.7 million, representing a year-on-year increase of 28.0%, of which revenue from sales of hot pot soup flavoring products sold to related parties increased by 37.9%, while revenue from sales of hot pot soup flavoring products sold to third parties decreased by 2.0%. Revenue from sales of hot pot soup flavoring products sold to related parties increased steadily due to increased number of Haidilao stores and the fact that the Company further increased the price of products sold to certain related parties in August 2015. From January to March of 2016, the Company carried out restructuring of the distributor channel at a time when it was the peak season of hot pot soup favoring products, which has certain impact on sales to the third party; from April to June of 2016, restructuring of distributor channel was mostly completed. However, as demand for hot pot soup favoring products decreased due to seasonality of the Company's products, revenue from sales of hot pot soup favoring products sold to third party decreased slightly in the first half of 2016.

In the first half of 2016, revenue from sales of hot pot dipping sauce products of the Company was RMB15.1 million, representing a year-on-year increase of 109.7%, of which revenue from sales of hot pot dipping sauce products sold to related parties increased by 12.2%, while revenue from sales of hot pot dipping sauce products sold to third parties increased by 110.4%. Revenue from sales of hot pot dipping sauce products of the Company primarily derived from sales to third parties, the rapid growth of which was attributable to the market recognition of the four dipping sauce products that the Company has focused efforts of promotion, which had driven the sales of hot pot dipping sauce products in the first half of 2016.

In the first half of 2016, revenue from sales of Chinese-style compound condiment products of the Company was RMB41.8 million, representing a year-on-year increase of 36.8%, of which revenue from sales of Chinese-style compound condiment products sold to related parties increased by 53.2%, while revenue from sales of Chinese-style compound condiment products to third parties increased by 34.7%. In respect of sales to related parties, the Company carried out cooperation with certain catering customers in the Shuhai Supply Chain<sup>(3)</sup> to develop new growth driver of revenue. The Company introduced two new fish condiment products (pickled chili sour fish soup condiment and premium boiled fish condiment) in March 2016 to complement with the sales of improved products of existing pickles and fish stew condiment, which has driven the increase in revenue from sales of Chinese-style compound condiment products to third parties.

## FINANCIAL REVIEW

### Revenue

During the six months ended 30 June 2016, the revenue of the Company increased by 31.1% from RMB307.3 million for the six months ended 30 June 2015 to RMB402.9 million for the corresponding period of 2016.

### Revenue by Product

	Six months ended 30 June			
	2016		2015	
	RMB'000	% of hot pot soup flavouring revenue	RMB'000	% of hot pot soup flavouring revenue
<b>Hot pot soup flavoring revenue</b>				
Revenue from related parties	275,124	81.0%	199,521	75.2%
Revenue from third parties	64,556	19.0%	65,883	24.8%
<b>Total revenue from hot pot soup flavoring products</b>	<b>339,680</b>	<b>100.0%</b>	<b>265,404</b>	<b>100.0%</b>

Note:

- (3) Shuhai Supply Chain refers to Shuhai (Beijing) Supply Chain Management Co., Ltd.\* (蜀海(北京)供應管理有限責任公司), a limited liability company established in the PRC on 3 June 2014 and an indirectly non-wholly owned subsidiary of Jianyang City Jingyuan Investment Co., Ltd.\* (簡陽市靜遠投資有限公司), a limited liability company established in the PRC on 13 March 2009, which is held as to 52% by Mr. Zhang Yong (張勇), the controlling Shareholder and the non-executive Director, 16% by Ms. Shu Ping (舒萍), the controlling Shareholder and the spouse of Mr. Zhang Yong, 16% by Mr. Shi Yonghong (the non-executive Director) and 16% by Ms. Li Haiyan (the spouse of Mr. Shi Yonghong) respectively.

Revenue from hot pot soup flavoring products increased by 28.0% from RMB265.4 million for the six months ended 30 June 2015 to RMB339.7 million for the corresponding period of 2016, accounting for 84.3% of the revenue for the six months ended 30 June 2016, of which, revenue from sales of hot pot soup flavoring products sold to related parties increased by 37.9%, while revenue from sales of hot pot soup flavoring products sold to third parties decreased by 2.0%. Revenue from sales of hot pot soup flavoring products sold to related parties increased steadily due to increased number of Haidilao stores and the fact that the Company further increased the price of products sold to certain related parties in August 2015. From January to March of 2016, the Company carried out restructuring of the distributor channel at a time when it was the peak season of hot pot soup favoring products, which has certain impact on sales to third parties; from April to June of 2016, the restructuring of distributor channel has mostly completed. However, as demand for hot pot soup flavoring products decreased due to seasonality of the Company's products, revenue from sales of hot pot soup flavoring products sold to third parties decreased slightly in the first half of 2016.

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>RMB'000</b>	<b>% of hot pot dipping sauce revenue</b>	<b>RMB'000</b>	<b>% of hot pot dipping sauce revenue</b>
<b>Hot pot dipping sauce revenue</b>				
Revenue from related parties	55	0.4%	49	0.7%
Revenue from third parties	15,079	99.6%	7,168	99.3%
<b>Total revenue from hot pot dipping sauce products</b>	<b>15,134</b>	<b>100.0%</b>	<b>7,217</b>	<b>100.0%</b>

Revenue from hot pot dipping sauce products increased by 109.7% from RMB7.2 million for the six months ended 30 June 2015 to RMB15.1 million for the corresponding period of 2016, accounting for 3.8% of the revenue for the six months ended 30 June 2016, of which, revenue from sales of hot pot dipping sauce products sold to related parties increased by 12.2%, while revenue from sales of hot pot dipping sauce products sold to third parties increased by 110.4%. Revenue from sales of hot pot dipping sauce products of the Company primarily derived from sales to third parties, the rapid growth of which was mainly attributable to the market recognition of the four dipping sauce products that the Company has focused efforts of promotion, which had driven the sales of hot pot dipping sauce products in the first half of 2016.

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>RMB'000</b>	<b>% of Chinese -style compound condiment products revenue</b>	<b>RMB'000</b>	<b>% of Chinese -style compound condiment products revenue</b>
<b>Chinese-style compound condiment products</b>				
Revenue from related parties	5,510	13.2%	3,597	11.8%
Revenue from third parties	36,271	86.8%	26,935	88.2%
<b>Total revenue from Chinese-style compound condiment products</b>	<b>41,781</b>	<b>100.0%</b>	<b>30,532</b>	<b>100.0%</b>

Revenue from Chinese-style compound condiment products increased by 36.8% from RMB30.5 million for the six months ended 30 June 2015 to RMB41.8 million for the corresponding period of 2016, accounting for 10.4% of the revenue for the six months ended 30 June 2016, of which revenue from sales of Chinese-style compound condiment products to related parties increased by 53.2%, while revenue from sales of Chinese-style compound condiment products to third parties increased by 34.7%. In respect of sales to related parties, the Company carried out cooperation with certain catering customers in the Shuhai Supply Chain to develop new growth driver of revenue. The Company introduced two new fish condiment products (pickled chili sour fish soup condiment and premium boiled fish condiment) in March 2016 to complement with the sales of improved products of existing pickles and fish stew condiment, which has driven the increase in revenue from sales of Chinese-style compound condiment products to third parties.

## Revenue by Distribution Network

	Six months ended 30 June			
	2016		2015	
	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Related-party customers:</b>				
Haidilao Group and its affiliates	284,312	70.6%	207,219	67.4%
<b>Third-party customers:</b>				
Distributors	112,291	27.9%	98,175	32.0%
E-commerce	5,379	1.3%	980	0.3%
Others	915	0.2%	967	0.3%
Third-party catering companies	529	0.1%	287	0.1%
One-off sales events	386	0.1%	680	0.2%
<b>Total</b>	<b>402,897</b>	<b>100.0%</b>	<b>307,341</b>	<b>100.0%</b>

Benefited from the growth in consumption of hot pot catering and increased number of Haidilao stores, coupled with the fact that the Company further increased the price of certain Related-party Customized Products and Related-party Retail Products in August 2015, sales revenue from sales to related parties, which mainly represent sales to Haidilao Group, in the first half of 2016 amounted to RMB284.3 million, representing an increase of 37.2% as compared with the corresponding period of last year.

Affected by seasonality of the Company's products, together with the restructuring of distributor channels by the Company during January to March 2016, the Company recorded a slowdown in the growth of its retail business. In the first half of 2016, sales revenue from sales to distributors amounted to RMB112.3 million, representing a year-on-year increase of 14.4%.

In 2015, the Company increased the efforts on online sales, and set up a special team responsible for exploring e-commerce channels and carrying out targeted online marketing activities, which had 24 members as of June 30, 2016. Meanwhile, the Company further strengthened management of e-commerce channels, including unifying purchase channels, managing pricing system and strengthening online marketing promotion activities to support the development of e-commerce channels. Sales revenue of the Company from e-commerce channels in the first half of 2016 was RMB5.4 million, representing a year-on-year increase of 448.9%.

Since 2016, the Company has set up a special team to actively explore third-party catering company customers and developed catering standardized products and customized products. The number of the Company's third-party catering company customers had increased from 5 in the first half of 2015 to 15 in the first half of 2016. Sales revenue from sales to third-party catering companies in the first half of 2016 amounted to RMB0.5 million, representing a year-on-year increase of 84.3%.

### ***Revenue by Geographic Region***

The table below presents the revenue of the Company by geographic region for the periods indicated:

	<b>Six months ended 30 June</b>			
	<b>2016</b>		<b>2015</b>	
	<b>RMB'000</b>	<b>% of revenue</b>	<b>RMB'000</b>	<b>% of revenue</b>
Northern China <sup>(1)</sup>	219,208	54.4%	179,096	58.3%
Southern China <sup>(2)</sup>	177,842	44.1%	127,653	41.5%
Overseas markets	5,847	1.5%	592	0.2%
<b>Total</b>	<b>402,897</b>	<b>100.0%</b>	<b>307,341</b>	<b>100.0%</b>

Note:

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

### **Cost of Sales**

The Company's cost of sales, including raw materials, employee benefit expenses, depreciation and amortization and utilities increased by 18.2% from RMB226.3 million for the six months ended 30 June 2015 to RMB267.6 million for the corresponding period of 2016. In the first half of 2016, overall unit cost of raw materials decreased as compared to that in 2015, while the unit price of soybean oil and prickly ash increased slightly.

## Gross Profit and Gross Profit Margin

	Six months ended 30 June			
	2016		2015	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
<b>Hot pot soup flavoring products</b>	111,815	32.9%	68,954	26.0%
Related parties	77,049	28.0%	41,755	20.9%
Third parties	34,766	53.9%	27,199	41.3%
<b>Hot pot dipping sauce products</b>	5,159	34.1%	2,052	28.4%
Related parties	22	40.2%	9	19.4%
Third parties	5,137	34.1%	2,043	28.5%
<b>Chinese-style compound condiment products</b>	17,782	42.6%	9,760	32.0%
Related parties	1,847	33.5%	770	21.4%
Third parties	15,935	43.9%	8,990	33.4%
Others	562	8.9%	247	5.9%
<b>Total</b>	<b>135,318</b>	<b>33.6%</b>	<b>81,013</b>	<b>26.4%</b>

The Company's gross profit increased by 67.0% from RMB81.0 million in the six months ended 30 June 2015 to RMB135.3 million for the corresponding period of 2016, and the gross profit margin increased from 26.4% in the six months ended 30 June 2015 to 33.6% for the corresponding period of 2016. The increase in gross profit margin was primarily due to that fact that the Company further increased the price of products sold to certain related parties in August 2015 and the decrease in the unit cost of raw materials.

### Distribution Expenses

The Company's distribution expenses increased by 52.2% from RMB37.6 million for the six months ended 30 June 2015 to RMB57.2 million for the corresponding period of 2016. The Company's distribution expenses as a percentage of the Company's revenue increased from 12.2% for the six months ended 30 June 2015 to 14.2% for the corresponding period of 2016. The increase in distribution expenses was mainly due to the increase in revenue and the restructuring of distributor channels carried out by the Company during January to March 2016. Through the channel adjustment among developed distribution regions, coverage area per distributor has been reduced to prefecture-level cities and therefore enhancing the Company's control over distribution ends. In order to accomplish the channels restructuring, the Company has expanded investments in the construction of distribution ends. Accordingly, the distribution expenses as a percentage of revenue had increased in the first half of 2016.

### **Administrative Expenses**

The Company's administrative expenses increased by 90.3% from RMB12.0 million for the six months ended 30 June 2015 to RMB22.8 million for the corresponding period of 2016. The Company's administrative expenses as a percentage of the Company's revenue increased from 3.9% for the six months ended 30 June 2015 to 5.6% for the corresponding period of 2016, mainly due to part of expenses arising from Global Offering was included in the administrative expenses and the establishment of new functional departments and increase in administrative headcounts for a more rational and standard corporate governance.

### **Other Incomes and Gains - net**

The Company's other incomes and gains-net increased by 915.1% from RMB0.6 million for the six months ended 30 June 2015 to RMB6.5 million for the corresponding period of 2016, mainly due to government grants has been received by the Company.

### **Fair value loss of redeemable convertible preferred shares**

For the six months ended 30 June 2016, the Company's fair value loss of redeemable convertible preferred shares was RMB10.4 million. The Company did not record such loss for the corresponding period of 2015. The reason is mainly due to the fact that the RCPS the Company issued in December 2015 are initially and subsequently measured at fair value and the fair value of such RCPS as of 30 June 2016 had changed from that as of 31 December 2015. Please refer to Note 10 to the Condensed Consolidated Interim Financial Information for details.

### **Finance Income - net**

The Company's finance income-net increased by 1,205.4% from RMB0.2 million for the six months ended 30 June 2015 to RMB2.2 million for the corresponding period of 2016, mainly due to US dollars investment the Company received from our Pre-IPO Investors<sup>(4)</sup> in late 2015 and the exchange gain in the first half of 2016 arising from devaluation of RMB.

### **Profit before Tax**

As a result of the foregoing, the Company's profit before tax increased by 66.3% from RMB32.3 million for the six months ended 30 June 2015 to RMB53.6 million for the corresponding period of 2016.

### **Income Tax Expense**

The Company's income tax expense increased by 129.4% from RMB8.0 million for the six months ended 30 June 2015 to RMB18.4 million for the corresponding period of 2016. The effective tax rate increased from 24.8% for the six months ended 30 June 2015 to 34.2% for the corresponding period of 2016, mainly due to the fair value loss of redeemable convertible preferred shares could not be deducted before tax during the first half of 2016.

### **Profit for the Period attributable to Owners of the Company**

As a result of the foregoing, profit attributable to owners of the Company increased by 45.4% from RMB24.3 million for the six months ended 30 June 2015 to RMB35.3 million for the corresponding period of 2016. Basic earnings per share increased from RMB5.1 cents for the six months ended 30 June 2015 to RMB5.4 cents for the six months ended 30 June 2016 and net profit margin increased from 7.9% for the six months ended 30 June 2015 to 8.8% for the corresponding period of 2016.

*Note:*

- (4) Pre-IPO Investors refer to Glorious Future, Charlin Holdings and Sky Ocean. For further details, please refer to the Prospectus.

## **Capital Liquidity and Financial Resources**

For the six months ended 30 June 2016, the Company's business was mainly funded by the cash generated from its operation. The Company intended to apply internal resources, income derived from organic and sustainable development and proceeds from Global Offering for the purpose of funding its expansion and business operation.

### **Cash and Cash Equivalents**

As at 30 June 2016, the Company's cash and cash equivalents primarily denominated in RMB and US dollars and, to a less extent, in HK dollars. Its cash and cash equivalents decreased to approximately RMB122.5 million (31 December 2015: RMB235.2 million), mainly due to the repayment of amounts due to related parties in respect of the construction of Zhengzhou production facilities.

### **Asset-liability Ratio**

As at 30 June 2016, the Company's asset-liability ratio<sup>(5)</sup> was 61.3% (31 December 2015: 75.9%), mainly due to the repayment of other payables used in the construction of Zhengzhou production facilities. The Company did not have any bank borrowings, yet its liabilities remained relatively high was due to the fact that while the Company's Pre-IPO investment in December 2015 increased the Company's cash and cash equivalents, which is classified as current assets, it also proportionately resulted in an large amount of RCPS, which is classified as non-current liabilities. As the Company's RCPS would be converted into ordinary shares upon listing, the asset-liability ratio would drop significantly.

### **Inventories**

Our inventories consist of primarily raw materials, work-in-progress and finished goods. As at 30 June 2016, we had inventories of approximately RMB64.1 million (31 December 2015: RMB102.8 million). The turnover days of inventories slightly decreased from 61.4 days for the year ended 31 December 2015 to 56.9 days for the six months ended 30 June 2016, mainly due to seasonality factors and certain improvement measures of inventory management taken by the Company. As the peak season for the Company's production and sales falls in the last few months of the year, the inventories as at the end of the year would generally be greater than that at the middle of the year. The decrease of overall unit cost of raw materials in the first half of 2016 as compared to that in 2015 also contributed to the lower inventories as of 30 June 2016 than that those as of 31 December 2015.

### **Trade Receivables**

Trade receivables represent amounts due from customers in respect of sales of goods in the ordinary course of business. As at 30 June 2016, we had trade receivables of approximately RMB58.6 million (31 December 2015: RMB63.8 million), slightly decreased due to the effect of seasonal fluctuation for production and sales. Turnover days of trade receivables increased from 16.1 days for the year ended 31 December 2015 to 27.7 days for the six months ended 30 June 2016, mainly due to the balance of trade receivables as at the end of 2014 fell below normal value. Upon completion of The Reorganization, the Company ceased to make offset in respect of the trade receivables for the amounts due from Haidilao Group in 2015.

*Note:*

- (5) Asset-liability ratio is calculated by dividing total liabilities by total assets at the end of each financial period.

## **Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. As at 30 June 2016, we had trade payables of approximately RMB26.5 million (31 December 2015: RMB43.3 million), representing an increase due to the effect of low and peak seasons for production and sales and seasonal procurement cycle. Turnover days of trade payables slightly decreased from 26.5 days for the year ended 31 December 2015 to 23.8 days for the six months ended 30 June 2016.

## **Contingent Liabilities**

As at 30 June 2016, the Company did not have any contingent liabilities.

## **Charge of Assets**

As at 30 June 2016, the Company did not charge any fixed assets as securities for borrowings.

## **Borrowings**

As at 30 June 2016, the Company did not have any bank borrowings.

## **Foreign Exchange Risk and Hedging**

The Company mainly operates in the PRC with most of the transaction denominated and settled in RMB. However, the Company has certain cash denominated in HKD and USD, which is exposed to foreign currency translation risk. The Company has not hedged its foreign exchange risk, but will closely monitor our exposure and will take measures when necessary to make sure the foreign exchange risk are manageable.

## **Other Hedging**

Soybean oil is one of the major raw materials used in the Company's production. The Company has entered into exchange-traded hedging activities in relation to the commodity prices of soybean oil. The Company's hedging policy is to hedge the Company's exposure to price increases of soybean oil.

## **Employees and Remuneration Policy**

As at 30 June 2016, the Company had a total of 1,095 employees, comprising of 610, 406 and 79 staffs in production, marketing and administration and management functions respectively.

As at 30 June 2016, the Company had no temporary contract workers, and the 35 dispatched workers have become regular employees in April 2016.

For the six months ended 30 June 2016, we incurred total staff costs (including salaries, wages, allowance, benefits and equity incentive plan cost) of RMB49.6 million.

In February 2016, we adopted the restricted share unit ("RSU") scheme that permits the granting of RSUs to (i) the Directors, officers, senior management and certain employees of the Company; and (ii) any person who, in the sole opinion of the Board, has contributed or will contribute to any member of the Company. For the six months ended 30 June 2016, no RSU had been granted or agreed to be granted by the Company.

## **FUTURE PROSPECT**

### **Industry and Business Outlook**

Despite overall slowdown of economic growth in China in recent years, the PRC condiment industry, especially the compound condiment industry, will continue to achieve rapid growth with increased urbanization and on-going upgrade of consumption. Through organic growth and external development, the Company will continue to explore sales channels, improve product mix and enhance sales capacity of sales terminals, so as to further enhance the market share and position of the Company.

In the second half of the year, the Company will continue to invest in products and sales terminals.

In respect of products, with the arrival of the peak season of hot pot condiments, the Company will introduce more new products of hot pot soup flavoring, continue to promote vegetable oil hot pot soup flavoring products and spicy stir-fry pot condiments products, launch new beef tallow hot pot soup flavoring products, timely introduce Chinese-style compound condiment products such as barbecue sauce, and meanwhile promote trial sales of new products to prepare for the formal launch of new products next year.

In respect of investment in sales terminals, with the smooth conduction of nationwide channel development and channel strategy adjustment of the Company, the number of the Company's distributors has further increased, and the Company's control on sale promotion in sales terminal and product display have further strengthened. In the second half of the year, the Company will strive to enhance sales capability of sales terminals while continue to deepen the network penetration in the northern China region and continue to expand sales network coverage in the southern China region. The Company will enhance terminal sales by way of, among other things, creating standard sales points, optimizing product display, increasing number of tasting events, increasing number of sales staff and peak season promotional activities.

In the second half of the year, the Company will review and re-assess the sales prices semi-annually and make adjustments if necessary.

### **Material Investments and Prospect**

The total investment amount of the Company's Bazhou Project is expected to be RMB300 million and Phase I is expected to complete construction and put into operation around 1 September 2018. The construction and investment schedule is the same as that disclosed in the Prospectus. The Bazhou Production Base can effectively increase the Company's production capacity and reduce its needs for contract manufacturers, especially during the peak seasons; optimize the Company's product portfolio to manufacture new product lines and utilize new packaging materials; upgrade the Company's storage facilities; and help the Company better manage logistics costs due to its central geographic location in Northern China. During the six months ended 30 June 2016, the design, pre-construction procedures and preparation works for construction of the Company's Bazhou Production Base were steadily carried out as scheduled.

## **Material Acquisitions and Disposals**

During the six months ended 30 June 2016, the Company did not have material acquisitions and disposals of subsidiaries, associations and joint ventures.

## **Future Plans for Material Investments**

During the six months ended 30 June 2016, the Company did not have any material investments, acquisitions or disposals. In addition, other than the expansion plans as disclosed in sections headed “Business” and “Future Plans and Use of Proceeds” in the Prospectus, the Company did not have any specific plans for material investments or acquisition of material capital assets or other businesses. However, the Company will continue to extensively identify potential strategic investment opportunities, continuously seek to acquire businesses that can complement its product portfolio and business growth and businesses with well-established e-commerce and overseas channels that can enhance its distribution capacities.

## **OTHER INFORMATION**

### **Interim Dividends**

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2016 to the Shareholders.

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

The Company’s Global Offering was completed and the Shares of the Company were listed on the Main Board of the Stock Exchange on 13 July 2016.

On 5 August 2016, China International Capital Corporation Hong Kong Securities Limited partially exercised the over-allotment option in respect of 6,900,000 Shares. Please refer to the announcement of the Company dated 5 August 2016 for details.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2016.

### **Model Code for Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

The Company’s employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the employees was noted by the Company since the Listing Date and up to the date of this announcement.

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

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 to the Listing Rules. The Company has complied with the mandatory code provisions in the CG Code since the Listing Date and up to the date of this announcement.

## **Audit Committee**

The Audit Committee of the Company has three members comprising one non-executive Director, being Mr. Shi Yonghong, and two independent non-executive Directors, being Mr. Yau Ka Chi (chairman) and Ms. Ye Shunjun, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results of the Group for the six months ended 30 June 2016. The Audit Committee considers that the interim financial results for the six months ended 30 June 2016 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

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

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

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

By Order of the Board  
**Gou Yiqun**  
*Chairman*

Beijing, 29 August 2016

*As at the date of this announcement, the executive directors of the Company are Ms. Dang Chunxiang and Mr. Sun Shengfeng; the non-executive directors of the Company are Mr. Gou Yiqun, Mr. Zhang Yong, Mr. Shi Yonghong and Mr. Pan Di; and the independent non-executive directors of the Company are Mr. Yau Ka Chi, Mr. Qian Mingxing and Ms. Ye Shujun.*