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, 2020

FINANCIAL HIGHLIGHTS

	For the six months ended June 30,		Period-over-Period
	2020	**2019**	**Change**
	RMB'000	**RMB'000**	**%**
Revenue	**903,470**	1,625,947	(44.4)
Gross profit	**492,928**	908,633	(45.8)
(Loss)/profit before tax	**(51,531)**	294,575	(117.5)
(Loss)/profit for the period attributable to owners of the Company	**(42,194)**	224,055	(118.8)
Adjusted net loss[1]	**(28,101)**	N/A	N/A

(1) Adjusted net loss is calculated by deducting donations and anti-epidemic related expenses which mainly relating to the COVID-19 outbreak since early 2020. Adjusted net loss is an unaudited non-GAAP item. The Group presented the adjusted net loss as an additional financial measure to evaluate the financial performance of the Group by eliminating the impacts of certain unusual and non-recurring items that the Group does not consider indicative of the performance of the business of the Group. Other companies may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under HKFRS and has limitation as an analytical tool. The investors should not consider it in isolation or as a substitute for analysis of the Group's results as reported under HKFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

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.

	Six Months Ended June 30,	
	2020	**2019**
Total number of retail stores	**1,367**	1,266
Total sales volume (tons)	**10,454**	18,324
Average spending per purchase order of self-operated retail stores (RMB)	**60.50**	62.13

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

	Six Months Ended June 30,			
	2020		**2019**	
	RMB'000	%	RMB'000	%
Ducks and duck part products	**789,735**	**87.4**	1,419,633	87.3
Other Products[1]	**113,735**	**12.6**	206,314	12.7
Total revenue	**903,470**	**100.0**	1,625,947	100.0

(1) Others primarily includes braised red meat, braised vegetable products, other braised poultry and aquatic products.

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

	Six Months Ended June 30,			
	2020		**2019**	
	RMB'000	%	RMB'000	%
Self-operated retail stores[1]	**609,090**	**67.4**	1,403,174	86.3
Online channels	**238,707**	**26.4**	164,260	10.1
Modern trade channels[2]	**16,410**	**1.8**	6,169	0.4
Franchisees[3]	**16,089**	**1.8**	2,105	0.1
Others[4]	**23,174**	**2.6**	50,239	3.1
Total revenue	**903,470**	**100.0**	1,625,947	100.0

(1) Includes revenue derived from online ordering and delivery services, products so sold are typically picked up at the designated self-operated retail stores. Revenue derived from online ordering and delivery services accounted for approximately 14.3% and 16.2% of the revenue from self-operated retail stores in the six months ended June 30, 2019 and 2020, respectively.

(2) Certain distributors in the first half of 2019 were reclassified as modern trade channels since 2020.

(3) Primarily includes revenue generated from franchisees in connection with sales of products, upfront franchise fees and brand royalty fees. Revenue from franchisees in the first half of 2019 mainly includes revenue generated from employee-franchisee model launched on a trial basis.

(4) Primarily include revenue generated from distributors, revenue generated from vending machines, other direct sales through subsidiaries and community groupon sales.

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, 2020. The Interim Results have been prepared in accordance with Hong Kong Financial Reporting Standards (the "**HKFRSs**"), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the Interim Results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Market Overview

2020 is apparently a challenging year for China's economy and almost all industries, including the casual braised food retail industry in which the Group operates. The COVID-19 outbreak since early 2020 spread across China and has affected multiple industries. During the peak period of the outbreak, the economic activities in a large number of cities had almost stopped and the pedestrian traffic in areas surrounding transport hubs had significantly decreased. In particular, Wuhan, the center of early outbreak, has been subject to considerable adverse impacts. Up to date, it is reported that the COVID-19 outbreak has been overall under control in China, however, there also remain confirmed cases in certain regions from time to time, causing uncertainties to the full recovery of the economy. In addition, in the first half of 2020, southern China has suffered from severe floods that were rare for many years, which further adversely impacted the operational environment for many industries resulting in the increasing operating pressure in the short term.

As a result, in the first half of 2020, consumer goods industry and retail industry have been facing difficulties, at a different level, such as reduction in consumer traffic, temporary production suspension, interruption in supply chains, as well as high fixed operational costs. Striving to maintain a stable cash flow turnover, optimize supply chains and control costs and expenses have become the major focuses of various industrial participants to maintain continuous operations during and post the COVID-19 outbreak.

Meanwhile, the crisis has accelerated the industry consolidation by washing out micro-, small- to mid-sized companies, leaving the industrial leading companies to increase additional market shares, explore more upstream and downstream resources as well as acquire operational and managerial talents. In addition, the COVID-19 outbreak also has gradually changed people's consumption habits and consumption concept. The shift of consumption scenarios has cultivated the rapid development of online retailing and the associated community delivery businesses. The sub-sector of online retailing of casual foods has become increasingly competitive. Such changing market conditions have imposed more challenges on industrial participants, requiring stronger capabilities in terms of branding and distribution channel establishment, product research and development, internet celebrity economy development, user management, precise marketing as well as omni-channel consolidation. As such, companies that have deployed online and offline omni-channel establishment in advance are expected to capture more opportunities.

OVERALL BUSINESS AND FINANCIAL PERFORMANCE

Retail Store Network Expansion

In the first half of 2020, in response to the impacts on consumer traffic in certain regions due to the COVID-19 outbreak, the Group continued to optimize its retail store network and accelerated the development of its franchise business by upgrading the self-operation plus franchise business model. In 2020, it launched the single-store franchise model, which stimulates the exploration into new regional markets and penetration in existing markets.

At current stage, the offline store network of the Group was primarily consisted of self-operated retail stores. As of June 30, 2020, the total number of the Group's retail stores reached 1,367, comprising 1,246 self-operated retail stores and 121 franchised stores and covering 121 cities in 21 provinces, autonomous regions and municipalities in China.

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

Number of Self-operated and Franchised Retail Stores

	Six Months Ended June 30,			
	2020		**2019**	
	#	%	#	%
Central China[1]	**583**	**42.6**	563	44.5
Southern China[2]	**272**	**19.9**	230	18.2
Eastern China[3]	**221**	**16.2**	207	16.4
Northern China[4]	**178**	**13.0**	180	14.2
Western China[5]	**113**	**8.3**	86	6.8
Total	**1,367**	**100.0**	1,266	100.0

Revenue Derived from Self-operated Retail Stores and Franchisees

	Six Months Ended June 30,			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Central China[1]	**315,225**	**50.5**	842,101	60.0
Southern China[2]	**127,479**	**20.4**	225,381	16.0
Eastern China[3]	**79,083**	**12.6**	154,463	11.0
Northern China[4]	**73,763**	**11.8**	149,573	10.6
Western China[5]	**29,629**	**4.7**	33,761	2.4
Total	**625,179**	**100.0**	1,405,279	100.0

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

(2) Comprises Guangdong Province and Fujian Province.

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

(4) Comprises Beijing, Tianjin, Liaoning Province, Hebei Province and Shandong Province.

(5) Comprises Chongqing, Sichuan Province, Shaanxi Province, Guizhou Province, Yunnan Province and Guangxi province.

Continuous Implementation of Upgraded New Six Development Strategies

In the first half of 2020, the Group has speeded up its third strategic transformation and deepened the reformation. Leveraging the continuous implementation and execution of the upgraded new six development strategies, the Group's franchise business began to take shape and online operations grew significantly. In addition, its overall cost control remained effective and the organizational strength also improved.

Upgrade of Business Model

Since the Group announced the commencement of its franchise business at the end of 2019, it has received great attention in this regard. Through the six-month development in 2020, the Group considered market demand and its actual operational feedback and further upgraded its self-operation plus franchise business model by launching the single-store franchise in June 2020, which further amplified the types of its franchise operation. Leveraging the well-established experience in managing self-operated stores, the operational teams located across the country and the expanding radius of their management, the Group has completed the development and implementation of three franchise types, namely multi-store franchise, single-store franchise and employee-franchisee model.

Multi-store franchise model focuses on new cities, mainly those regions and markets that the self-operated stores have not entered into. The single-store franchise model operates under the entrusted management, which focuses on strategic locations with high growth potentials, such as business districts or residential communities, enabling the penetration into markets with mature self-operated stores. Employee-franchisee model intends to motivate high potential employees. These three types which complement one another, together with the existing self-operation model, have enhanced the Group's store network expansion strategy and facilitated to explore in new regional markets as well as to penetrate in existing markets.

With respect to franchisees, the Group continued to adopt stringing quality standards in selecting outstanding franchisees to partner with. It also has enhanced the management over franchisees and provided them with a complete suite of support and guidance in terms of marketing and operation. The Group conducts stringent review on performance of the franchisees it has partnered with on a regular basis and endeavors to generate mutual benefits and achieve a win-win situation. During the very first phase of developing the franchised stores, the Group carefully selected the best front-line crew from its five regions who were sent to Guiyang and Nanning to assist in the successful store opening of those new franchised stores. During the period of the COVID-19 outbreak, the Group launched several initiatives in favor of the franchisees to fight against the epidemic. Meanwhile, it adopted the policy that one regional market is managed by one uniformed management team which ensured that the franchisees will be served by a specifically designated team in each regional market. Last but not least, the Group actively collaborated with franchisees to prepare the launch conferences and upfront marketing campaigns, which laid a solid foundation for Zhouheiya brand to tap into new regional markets.

Despite the COVID-19 outbreak, as at June 30, 2020, the Group had in aggregate received over 19,000 franchisee applications and after careful selection and evaluation, it had contracted over 20 franchisees. As of the same date, there were 121 franchised stores across the country, located in over 40 cities including Nanning, Kunming, Guiyang, Xuzhou, Ganzhou and Huaihua.

Omni-channel Coverage

The Group continued to implement its omni-channel strategy to cover multiple online and offline consumption scenarios, which enhances the visibility of the Group's brand and satisfies the consumption needs for impulsive and convenient purchase of casual food of various potential consumer groups. In addition to continue to develop offline retail stores under the self-operation plus franchise model, the Group has also been focusing on the establishment of online and modern trade channels. It intends to further deepen the omni-channel operation by means of diversifying distribution channels, expanding new product offerings, developing livestream e-commerce and engaging precise user operations.

In the first half of 2020, the COVID-19 outbreak has caused various impacts and restrictions on people's consumption and daily life across China. In-store sales activities have been strongly affected and the daily consumption has gradually switched to online. The Group has followed the changes in such consumption scenarios and adjusted its marketing strategies promptly. In terms of its distribution, the Group established strategical presence on short-form video content platforms and launched the storefronts on livestreaming platforms such as Tik Tok and Kwai, expanding its distribution. In terms of its products, the Group continued to enhance product offerings by capturing the consumption trends and introduced nine new ODM (original design manufacture) products, covering those mainstream online channels. On the other hand, it continued to deploy livestreaming method to acquire consumers, realizing the marketing effects through omni-channels. During the COVID-19 outbreak, the Group accomplished several livestreaming sessions under the collaborations with local governments and press media which were highly welcomed by the consumers. For the six months ended June 30, 2020, revenue derived from online channels increased by 45.3% from the corresponding period in 2019.

Due to the temporary closure of certain retail stores, the Group's sales from online ordering and delivery service had been affected accordingly. Such business operation has gradually recovered recently along with the resumption of store operations and the increase of consumer traffic. In the first half of 2020, the Group has actively explored new online ordering and delivery services by deepening strategic cooperation with mainstream food delivery platforms such as Meituan and Ele.me, as supplemented by the self-operated WeChat mini-program. In addition, the Group also commenced the new form of community groupon through social commerce platforms like WeChat. It enabled the consumers to enjoy the Zhouheiya products safely and conveniently during the lockdown periods by engaging community group leaders and arranging community delivery.

In the first half of 2020, the Group continued to establish the modern trade channel to further enhance the visibility of the products and the convenience in purchasing. It not only focused on the cooperation with modern supermarkets and convenience store chains, such as Freshippo (Hema) and FamilyMart, but also accelerated the strategic exposure and cooperation with fresh food e-commerce and social community commerce, especially considering the impacts on the consumption behavior brought by the COVID-19 outbreak and the fact that the sales from offline distribution channels have not fully recovered. Up to date, the Group's products had been available in a number of modern supermarket and convenience store chains, including Freshippo (Hema), FamilyMart, 7-11, Dingdong Maicai, Xingsheng Youxuan and Tangjiu Convenience Store, which had generally achieved the expected results. Furthermore, the Group reviewed and optimized its product designs and positioning specified for modern trade channel. It launched small-size packaged products which were customized for such distribution channel, so as to meet the consumer needs and increase their purchasing experience.

Product Diversification

Product innovation has been a significant driver for corporate development. The Group intends to fully deepen its brand image and consumer awareness through continuously innovating braised food products, enhancing product quality and developing a full range of Zhouheiya product series. Meanwhile, leveraging its in depth experience and industry insights in the casual braised food industry, it continued to offer new products and increase the product diversification to cater to the different needs of various consumer groups and to increase the competitiveness of its products.

In the first half of 2020, the Group reviewed the market trends, focused on its most famous product series and developed the new flavor, namely the green peppercorn spicy series. Also, under the new product development strategy, the Group introduced the popular duck cutlet product. These products were well welcomed by the market and satisfied the consumers' purchasing needs for different flavors and different product types. Moreover, the Group studied the consumers' consumption habits from difference distribution channels and offered different customized products. In the future, the Group will continue to study the consumer feedback and market demands with respect to different distribution channels and will enhance its product development and research, to increase the frequency of new product launch, as well as to optimize consumption experience.

Integrated Branding and Marketing

Since 2020, the Group reviewed its branding and marketing strategies and switched the focus back to braised food products. It developed integrated marketing themes centering upon the products and consumption needs, and also emphasized the nature and positioning of the Zhouheiya brand, aiming at deepening the brand image and consumer awareness.

Living under the shadow of the epidemic which had brought significant impacts on people's daily life, and considering the extensive reach and high efficiency of online marketing methods, the Group had leveraged various short-form video platforms and livestreaming platforms, including WeChat, Weibo, Tik Tok, Kwai and Weishi, and collaborated with famous media and KOLs to increase the exposure of brand image and engage interaction with consumers. These have also shortened the communication path between the Group and the consumers and provided their preference and feedback about the products on an immediate basis. Benefiting from the increased brand recognition by taking advantage of contents which were distributed and customized to appeal consumers with different features from different platforms, in the first half of 2020, the Group's livestreaming contents and short-form videos had in aggregate accumulated over 100 million views. Both the number of members and the popularity among them increased. Meanwhile, marketing expenses for the six months ended June 30, 2020 decreased by 64.4% compared with the corresponding period in 2019. In addition, the Group on a trial basis commenced the new model of social commerce which leveraged the relatively stable social network of modern social communities and their strong network effect, and the well developed delivery capacity for social communities. Such new model enables group shopping by encouraging peer-to-peer referrals, which had stimulated the consumers that were affected and restricted by the COVID-19 outbreak.

Moreover, the Group adopted the marketing theme by establishing the "one sound, one image, one Zhouheiya" strategy. This product-focused marketing strategy utilized a uniformed main theme to fully reinforce brand recognition both online and offline, which aimed to switch the focus back to products and increase the brand influence among the core consumers. The Group will continue to execute the integrated branding and marketing strategies and leverage digitalized methods to manage and modify such strategies, so as to increase the precision and efficiency of the brand communication and brand construction efforts and enhance the branding influence on consumer mind.

Supply Chain Optimization

Continuous optimization of production capacity and supply chain to suit the market demands and store allocations is one of the Group's long term development strategies. In the first half of 2020, the Group achieved the synergy among each processing facilities by arranging and planning overall production activities at the group level which demonstrated the more cost effective manner in adjusting the supply chain management and operation.

The Group currently operates three processing facilities in northern, central and southern China, respectively, each of which meets the class 100,000 cleanliness standard and is with highly automation level. It is also currently constructing two additional facilities in eastern and western regions. The eastern China processing facility is expected to commence operation in the first half of 2021. The Group expects these facilities will provide flexible allocation of production capacities among each other, in order to address the risks in fluctuation from any regional market. During the COVID-19 outbreak, the Group temporarily suspended the production activities in the central China processing facility in order to comply with the anti-epidemic guidance and measures imposed by the local government. It re-allocated the production capacity among the northern and southern China processing facilities to satisfy the order needs generated from central and southwestern regions and re-scheduled the logistic arrangements and production material allocation accordingly, which effectively enabled it to satisfy the market demands nationwide. Operation of the central China processing facility has resumed to normal since March 2020.

Along with the development of the franchise business, the penetration into modern trade channels, as well as the gradual completion of the nationwide store network, the Group reviewed its newly added logistic routines and made adjustment and improvement on a regular basis, which allowed it to reduce logistic costs and meet all delivery needs at the same time. Particularly, in response to customers like supermarkets and convenience stores that have a generally higher requirements for response time and inventory level, the Group has been gradually improving the order placing process and inventory management process, so as to meet the customer needs and further increase the customer satisfactory.

In terms of procurement, the Group reviewed and separated the procurement responsibilities among the headquarters and each processing facilities. It had adopted standardized procurement procedures and implemented standardized operational requirements. The Group would conduct negotiation on behalf of all processing facilities for large amount purchases under the collective decision making and procurement policy, which was attributable to a reduced purchase costs. Due to the impacts of the COVID-19 outbreak, the supply and demand balance has been temporarily interrupted. The Group had initiated a round of new negotiations and pricing processes with respect to raw materials, packaging materials, and logistic services. The Group also conducted more detailed storage planning for raw materials for the second half of 2020 based on the actual consumption in the first half of the year.

Organizational Capacity Enhancement

A high quality organization is the foundation for a company to execute strategies and realize rapid growth. The Group endeavors to establish a highly effective and performance oriented organizational structure. In terms of organizational capacity, the Group re-defined the group control model, shifting from a vertical function management model to a platform organization with accountability system for business division managers. It accelerated the comprehensive capability development for all departments under the headquarters in terms of strategy developing, planning, collaborating, supporting and supervising capabilities. It also organized various training camps for different positions, aiming to speed up the organizational capacity enhancement and to ensure the execution and implementation of the strategies at the regional level. In addition, the Group issued the Zhouheiya employee capability model and managerial position and qualification system, representing the completion of the organizational system and talent review which optimized the Group's system and personnel structure.

In terms of organizational motivation, the Group adopted incentive plans to motivate the employees. Firstly, in the first half of 2020, the Group has implemented its first inventive plan under which 24 people were awarded an aggregate of approximately 4,580,900 ordinary shares of the Company as the base incentive pool, the final awards of which will be subject to the adjustments based on the Group's and the employees' performance. It intends to issue more awards to motivate additional high quality employees under the incentive plan so as to ensure the sustainable development of the entire organization. Secondly, considering the recovery in the performance of the self-operated retail stores, the Group initiated the new personal bonus mechanism, such as the award for achieving targeted monthly increased sales, to promote the motivation of front line employees. Such measures encouraged the employees to change from traditional passive in-store sales to actively engaging new sales models such as participating in the livestreaming sales sessions, social commerce marketing and enterprise groupon. It also allowed high quality employees to participate in the employee-franchise model, encouraging them to become an entrepreneur and business partner instead of merely an employee, which had proofed to be very effective. In addition, the Group continued to optimize the organizational and personnel structure, based on which, it had implemented the vitality curve management system to evaluate the comprehensive performance of employees. It intends to establish a fair and efficient environment in which those top performing employees would be promoted and the poor performing ones would be eliminated. During the period of COVID-19 period, the Group streamlined human resource and adopted flexible working arrangements. As such, the overall labor costs in the six months ended June 30, 2020 decreased by approximately 30.8% from the corresponding period in 2019.

Industry and Business Outlook

In the first half of 2020, the consumer goods industry, particularly the food and retail sectors, has been subject to short term but strong impacts from the COVID-19 outbreak and the severe floods in southern China, which faces various difficulties including temporary store closure, suspension in production activities and decreased market demands. Due to the COVID-19 outbreak, the Group's business has also been affected to a certain extent. As provided in the voluntary announcement of the Company dated February 11, 2020 and the announcement of its annual results for the year of 2019 on March 31, 2020, to comply with the mandatory restrictive and lockdown measures imposed by local governments to fight against the epidemic, the Group's operations, mainly, the production activities in central

China and the temporary closures of approximately 1,000 retail stores, have been interrupted by the COVID-19 outbreak. Among others, Hubei province, as the center of early outbreak, has been subject to considerable adverse impacts. Since April 2020 and up to the date of this announcement, almost all of the retail stores that were temporarily closed have been reopened. Production activities in its central China processing facility have also been resumed. The overall operation of the Group has been improving, however, it is also noted that the recovery of consumer traffic in Hubei as well as in areas surrounding transport hubs has been relatively slow which was lower than initially expected. The Group estimates that the prolonged COVID-19 outbreak will have an adverse impact on its operation, and in turn, the financial performance for the whole year of 2020.

In the long run, the Group is still optimistic for its development. Along with the more stringent regulatory control over food industry and the increasing awareness of food safety by consumers, the casual food industry is expected to experience another round of consumption upgrade and the industry will further consolidate with more sources controlled by those leading brands. Meanwhile, the Group's online business has experienced a robust increase and the franchise business has grown stably, evidencing that the Group's omni-channel development and business model upgrade strategies have achieved initial results. The Group has confidence in overcoming the short term difficulties from the adverse operational environment, capturing development opportunities, and efficiently executing its new six strategies to support its long term robust development.

In the second half of 2020, the Group will continue to execute its new six development strategies and to further promote and implement the following:

- Continue to accelerate the development of franchise business, and to optimize the self-operated retail store network adaptive to the new market environment post the COVID-19 outbreak;

- Utilize technologies to empower online and offline businesses, maintain the rapid growth of online operation, and continue the exploration of modern trade channels;

- Focus on new product research and development and marketing, and facilitate multi-channel distribution;

- Upgrade product packaging, emphasize on main theme brand marketing, and enhance marketing efficiency;

- Continue to optimize and streamline supply chain management procedures, better control supply chain costs, streamline production capabilities to empower the further development of front-end business operations; and

- Increase equity incentive awards to motivate additional employees, and enhance employees' comprehensive capability development.

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, 2019 over the six months ended June 30, 2020 (expressed in percentages).

	For the six months ended June 30,				Period-over-Period Change
	2020		2019		
	RMB'000	%	RMB'000	%	%
Revenue	**903,470**	**100.0**	1,625,947	100.0	(44.4)
Cost of sales	**(410,542)**	**(45.4)**	(717,314)	(44.1)	(42.8)
Gross profit	**492,928**	**54.6**	908,633	55.9	(45.8)
Other income and gains, net	**21,600**	**2.4**	60,502	3.7	(64.3)
Finance cost	**(17,104)**	**(1.9)**	(14,584)	(0.9)	17.3
Selling and distribution costs	**(461,507)**	**(51.1)**	(551,251)	(33.9)	(16.3)
Administrative expenses	**(81,310)**	**(9.0)**	(101,290)	(6.2)	(19.7)
Share of losses of an associate	**(6,138)**	**(0.7)**	(7,435)	(0.5)	(17.4)
(Loss)/profit before tax	**(51,531)**	**(5.7)**	294,575	18.1	(117.5)
Income tax expense	**9,337**	**1.0**	(70,520)	(4.3)	(113.2)
(Loss)/profit for the period	**(42,194)**	**(4.7)**	224,055	13.8	(118.8)
Basic (loss)/earning per share	**(0.02)**		0.10		(120)
Net (loss)/profit Margin		**(4.7)**		13.8	
OTHER COMPREHENSIVE (EXPENSE)/INCOME					
Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:					
Exchange difference on translation of foreign operations	**(7,201)**	**(0.8)**	13,719	0.8	(152.5)

	For the six months ended June 30,				Period-over-Period Change
	2020		2019		
	RMB'000	**%**	RMB'000	%	%
Net other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent period	**(7,201)**	**(0.8)**	13,719	0.8	(152.5)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:					
Translation from functional currency to presentation currency	**32,618**	**3.6**	(7,156)	(0.4)	(555.8)
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods	**32,618**	**3.6**	(7,156)	(0.4)	(555.8)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**25,417**	**2.8**	6,563	0.4	287.2
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(16,777)**	**(1.9)**	230,618	14.2	(107.3)
Total comprehensive (expense)/income for the period attributable to the owners of the Company	**(16,777)**	**(1.9)**	230,618	14.2	(107.3)

Revenue

The Group's total revenue decreased by approximately 44.4% from RMB1,625.9 million for the six months ended June 30, 2019 to RMB903.5 million for the six months ended June 30, 2020, primarily due to the decrease in sales as a result of the COVID-19 outbreak across China which caused a significant decrease of consumer traffic to retail stores. In order to comply with the anti-epidemic guidance and measures imposed by local governments, the Group temporarily suspended the production activities in its central China processing facility. Approximately 1,000 retail stores across China temporarily closed for a certain period. Since April 2020, such stores have been gradually reopened and the production activities in the central China processing facility had resumed to normal. The overall operation of the Group has been improving, however, it is also noted that the recovery of consumer traffic in Hubei as well as in areas surrounding transport hubs has been relatively slow which was lower than initially expected. Therefore, the revenue generated from the retail stores in those relevant regions for the six months ended June 30, 2020 had been adversely impacted. Nevertheless, the COVID-19 outbreak has switched the focus of major consumption scenario to online. In the six months ended June 30, 2020, sales derived from online channels increased by 45.3% from the corresponding period in 2019.

Cost of Sales

Cost of sales decreased by approximately 42.8% from RMB717.3 million for the six months ended June 30, 2019 to RMB410.5 million for the six months ended June 30, 2020, primarily due to the decrease in sales in the first half of 2020 mainly resulting from the adverse impact of the COVID-19 outbreak.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decrease by 45.8% from RMB908.6 million for the six months ended June 30, 2019 to RMB492.9 million for the six months ended June 30, 2020, primarily due to the decrease in sales in the first half of 2020. The Group's gross profit margin slightly decreased from 55.9% for the six months ended June 30, 2019 to 54.6% for the six months ended June 30, 2020.

Other Income and Gains, Net

The Group's net other income and gains decreased by approximately 64.3% from RMB60.5 million for the six months ended June 30, 2019 to RMB21.6 million for the six months ended June 30, 2020. Primarily due to (i) a decrease of RMB12.0 million in interest income from bank deposits; (ii) donations worthing RMB11.5 million in total of cash and medical supplies to fight against the epidemic; (iii) a decrease of RMB8.7 million in government grants; and (iv) an increase of RMB7.1 million in foreign exchange loss.

Finance Cost

Finance cost for the six months ended June 30, 2020 amounted to RMB17.1 million, representing interest expenses recognized of RMB12.4 million in connection with lease liabilities and RMB4.7 million of interest expenses in connection with bank borrowings, respectively, which increased by approximately 17.3% from RMB14.6 million in the six months ended June 30, 2019. Interest expense in connection with bank borrowings increased by RMB4.7 million, partially offset by a decrease in interest expenses of RMB2.2 million of lease liabilities.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately 16.3% from RMB551.3 million for the six months ended June 30, 2019 to RMB461.5 million for the six months ended June 30, 2020. The decrease was primarily due to a decrease of RMB42.5 million in salary and welfare for sales personnel, a reduction of RMB26.4 million in advertising and promotion related expenses, an aggregate reduction of RMB23.6 million resulting from rental exemptions and the amortization of right-of-use assets, as well as a reduction of RMB13.1 million in commission for online ordering and delivery platforms due to sales decline, partially offset by an increase of RMB20.0 million in delivery fees in association with the rapidly growing online sales in the first half of 2020.

Administrative Expenses

The Group's administrative expenses decreased by approximately 19.7% from RMB101.3 million for the six months ended June 30, 2019 to RMB81.3 million for the six months ended June 30, 2020, primarily due to a decrease of RMB15.7 million in salary and welfare for administrative personnel primarily due to the streamline of human resources and the adoption of flexible working arrangements.

Shares of Losses of an Associate

For the six months ended June 30, 2020, the Group incurred shares of losses of an associate of RMB6.1 million in connection with the 31.25% equity interest (50% prior to March 2019, diluted to 37.51% from April to November 2019, and further diluted to 31.25% in December 2019) in Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership), resulting from the management and administration related expenses at its early stage.

Loss/Profit Before Tax

As a result of the foregoing, the Group recorded a loss before tax of RMB51.5 million for the six months ended June 30, 2020, compared to profit before tax of RMB294.6 million for the six months ended June 30, 2019.

Income Tax Expense

Income tax expense was a negative RMB9.3 million for the six months ended June 30, 2020, as a result of the loss incurred in this period compared to income tax expense of RMB70.5 million for the six months ended June 30, 2019.

Loss/Profit for the Period

As a result of the foregoing, primarily because the Group experienced decreases in revenue and gross profit in the first half of 2020 as affected by the COVID-19 outbreak, while it inevitably maintained certain fixed costs and expenses, the Group recorded a net loss of RMB42.2 million for the six months ended June 30, 2020, as compared to the net profit of RMB224.1 million for the six months ended June 30, 2019.

Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations increased from a gain of RMB6.6 million for the six months ended June 30, 2019 to RMB25.4 million for the six months ended June 30, 2020, primarily represented the foreign exchange translation differences as certain overseas subsidiaries use Hong Kong dollars ("**HKD**") as the reporting currency.

Total Comprehensive (Expense)/Income for the Period

As a result of the foregoing, the Group's total comprehensive expense for the six months ended June 30, 2020 decreased by approximately 106.3% to RMB16.8 million from total comprehensive income of RMB230.6 million for the six months ended June 30, 2019.

Non-GAAP Measure

To supplement the Group's consolidated financial statements which are presented in accordance with HKFRS, the Group uses adjusted net loss as an additional financial measure to evaluate the Group's financial performance without taking into account certain unusual and non-recurring items. Adjusted net loss is calculated by deducting donations and anti-epidemic related expenses the Group incurred in connection with the COVID-19 outbreak. The table below sets forth the reconciliation of profit for the period to adjusted net loss.

	Six Months Ended June 30,	
	2020	**2019**
	RMB'000	**RMB'000**
(Loss)/profit for the period	**(42,194)**	224,055
Add:		
Donations	**11,517**	–
Anti-epidemic expense	**2,576**	–
Adjusted net (loss)/profit[1]	**(28,101)**	224,055

(1) Adjusted net loss is an unaudited non-GAAP item. The Group uses such unaudited non-GAAP adjusted net loss as an additional financial measure to supplement the consolidated financial statements which are presented in accordance with HKFRS and to evaluate the financial performance of the Group by eliminating the impact of certain unusual and non-recurring item that the Group does not consider indicative of the performance of the business of the Group. Other companies in the industry the Group operates in may calculate this non-GAAP item differently than the Group does. This non-GAAP item is not a measure of operating performance or liquidity under HKFRS and should not be considered as a substitute for, or superior to, profit before tax or cash flow from operating activities in accordance with HKFRS. This non-GAAP item has limitation as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results as reported under HKFRS. The Group's presentation of this non-GAAP item should not be construed as an inference that the Group's future results will be unaffected by unusual or non-recurring items.

Liquidity and Capital Resources

During the six months ended June 30, 2020, the Group financed its operations primarily through cash generated from its business operations and the net proceeds received from its initial public offering (the "**IPO**"). The Group intends to finance its expansion and business development by internal resources and through organic and sustainable growth, as well as to use the net proceeds received from its IPO.

Capital Structure

As of June 30, 2020, the Group had net assets of approximately RMB3,990.1 million, comprising current assets of approximately RMB2,826.4 million, non-current assets of approximately RMB2,556.2 million, current liabilities of approximately RMB1,121.0 million and non-current liabilities of approximately RMB271.6 million, as compared to RMB4,238.4 million as of December 31, 2019.

As of December 31, 2019 and June 30, 2020, the cash and cash equivalents of the Group were mainly denominated in Renminbi ("**RMB**") and U.S. dollars ("**USD**"), with certain amount denominated in HKD and small amount denominated in Euro.

Cash and Bank Balances

As compared with RMB1,237.0 million as of December 31, 2019, the Group had cash and bank balances of approximately RMB1,195.5 million as of June 30, 2020, which consisted of unrestricted cash and bank balances of approximately RMB358.4 million and term deposits of approximately RMB837.1 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 may expose the Group 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, including using derivative contracts to hedge against the risk exposure when appropriate, 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 IPO and HK$364.2 million from the issue of shares pursuant to the exercise of the over-allotment options, respectively. The remaining balance of the proceeds from the IPO was RMB1,009.9 million as of December 31, 2019 and RMB831.8 million as of June 30, 2020, respectively.

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

The table below sets forth the use of proceeds by the Group as of June 30, 2020:

	Budget	Amount that had been utilized as of December 31, 2019	Amount that was used for the six months ended June 30, 2020	Remaining balance as of June 30, 2020	Expected timeline of utilization[1]
			(in RMB million)		
Construction and improvement of processing facilities	1,258.3	858.3	67.2	332.8	in four years
Development of retail store network	167.8	106.7	11.3	49.8	in two years
Brand image campaigns, including the e-commerce marketing campaigns	394.3	210.2	32.7	151.4	in two years
Improvement of research and development	45.2	17.0	1.2	27.0	N/A[2]
Acquisition and strategic alliances	145.2	17.9	–	127.3	N/A[2]
Upgrades of information technology systems, including the enterprise resource planning system	96.2	56.3	5.6	34.3	in three years
General replenishment of working capital	345.2	176.0	60.0	109.2	in two years
Total	2,452.2	1,442.5	177.9	831.8	

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

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

As of June 30, 2020, net proceeds not utilized had been deposited into short-term deposits and money market instruments, including structured deposits.

Indebtedness

As of June 30, 2020, the Group had an aggregate bank borrowings of RMB339.4 million, all of which will be due within one year. Such outstanding bank borrowings were bearing fix interest rates and denominated in Renminbi and U.S. dollars.

The Group uses the gearing ratio (gearing ratio = total liabilities/total assets) to monitor its capital structure. As of June 30, 2020 the Group's gearing ratio increased to 25.9% from 22.6% as of December 31, 2019, which was primarily due to the RMB339.4 million bank borrowings for business operations in the first half of 2020.

Pledged Assets

As of June 30, 2020, the Group had pledged bank deposits of RMB332.1 million (December 31, 2019: RMB209.3 million) which were pledged as securities for the bank borrowings of RMB309.4 million(December 31, 2019: nil). In addition, the Group had guarantee deposits of RMB4.0 million in connection with the construction of its processing facility (December 31, 2019: RMB4.0 million).

Cash Flows

For the six months ended June 30, 2020, net cash generated from operating activities decreased to approximately RMB60.0 million from RMB469.4 million for the six months ended June 30, 2019, which was mainly attributed to loss before tax of RMB51.5 million, adjusted for certain non-cash items such as depreciation and amortization of RMB229.7 million. Additional factors that affected net cash generated from operating activities included an increase of RMB26.0 million in inventories, a decrease of RMB 56.2 million in trade payables and an increase in other payables of RMB32.2 million.

For the six months ended June 30, 2020, net cash generated from investing activities was approximately RMB222.7 million compared with RMB151.0 million for the six months ended June 30, 2019, which was mainly attributed to (i) proceeds from disposal of structured deposits of RMB1,314.5 million; (ii) the decrease of term deposits of maturity over three months of RMB209.6 million and (iii) the interest received from bank deposits of RMB16.4 million, partially offset by (i) purchase of structured deposits of RMB1,268.6 million; and (ii) purchases of long-term assets of RMB60.8 million.

For the six months ended June 30, 2020, net cash used financing activities was approximately RMB129.0 million compared with RMB434.2 million for the six months ended June 30, 2019, which mainly represents (i) dividends paid of RMB232.9 million; (ii) proceeds from interest-bearing bank borrowings of RMB339.4 million; and (iii) the guarantees for bank borrowings which resulted in an increase of deposits of RMB126.1 million.

Structured Deposits

The Group from time to time invests in asset management products, primarily structured deposits, 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 their respective expiry dates. As of June 30, 2020, the Group had a balance of structured deposits in the amount of approximately RMB714.9 million. Up to the date of this announcement, approximately RMB229.6 million out of the RMB714.9 million had been settled and redeemed upon their maturity with the remaining not yet fallen due. The underlying investments of the structured deposits were primarily short-term sovereign bonds, financial bonds and central bank bills, and other investment products issued by commercial banks in the inter-bank market in China, which were very liquid with a relatively short term of maturity, and which were considered akin to placing deposits with banks whilst enabling the Group to earn a relatively higher rate of return. In the six months ended June 30, 2020, interest income from structured deposits amounted to RMB11.9 million (June 30, 2019: approximately RMB10.6 million).

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. Only make investments in low-risk products issued by qualified commercial banks or other financial institutions are allowed and the 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 that each proposed investment shall go through.

In view of an upside of earning a relatively higher return than current saving or fixed deposit rate under the low interest rate trend, 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 manageable 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 RMB67.2 million for the six months ended June 30, 2020, mainly in connection with the establishment and improvement of processing facilities. The Group financed its capital expenditures primarily with cash generated from operations and the proceeds from the IPO.

Contingent Liabilities and Guarantees

As of June 30, 2020, the Group did not have any significant 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, 2020 and in the period subsequent to June 30, 2020 and up to August 24, 2020, 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.

Turnover Ratios

Average inventory turnover days increased from 67.0 days for the six months ended June 30, 2019 to 163.7 days for the six months ended June 30, 2020, primarily because the Group made certain raw material inventory reserves in late 2019 in anticipation of the usual peak season during the upcoming Spring Festival, which, adversely affected by the COVID-19 outbreak, caused a decrease of the inventory turnover rate. The increase in the inventory turnover days was also attributable to fact that the Group increased the inventory reserves of certain raw materials by the end June 2020 in the anticipation of an increase in raw material prices.

Average trade receivables turnover days increased from 3.6 days for the six months ended June 30, 2019 to 7.0 days for the six months ended June 30, 2020, primarily due to the increase of the payment settlement cycles of certain transport hub stores due to the adverse impact from the COVID-19 outbreak.

Average trade payables turnover days increased from 22.3 days for the six months ended June 30, 2019 to 41.2 days for the six months ended June 30, 2020, mainly a result of the increasing inventory reserves of certain raw materials.

Employee and Labor Cost

As of June 30, 2020, the Group had a total of 4,046 employees, among which approximately 55.6% were retail store operations and sales staff and approximately 16.1% 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, 2020, the Group incurred total labor costs of RMB170.0 million, representing approximately 18.8% of total revenue of the Group.

Top Suppliers and Top Customers

For the six months ended June 30, 2020, purchases from the Group's largest duck supplier in terms of RMB amount accounted for approximately 19.7% of total purchase cost and the aggregate purchases from its top five duck suppliers in terms of RMB amount in aggregate accounted for approximately 48.8% of total purchase cost.

For the six months ended June 30, 2020, 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, 2020, the Group's reserves available for distribution to shareholders of the Company amounted to approximately RMB1,678.2 million.

Subsequent Events

No material events were undertaken by the Group subsequent to June 30, 2020 and up to August 24, 2020, being the date of this announcement.

FINANCIAL INFORMATION

The unaudited consolidated interim results of the Group for the six months ended June 30, 2020 are as follows:

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

For the six months ended 30 June 2020

	Notes	Six months ended June 30 2020 RMB'000 (unaudited)	Six months ended June 30 2019 RMB'000 (unaudited)
REVENUE	4	**903,470**	1,625,947
Cost of sales		**(410,542)**	(717,314)
Gross profit		**492,928**	908,633
Other income and gains, net	4	**21,600**	60,502
Finance cost		**(17,104)**	(14,584)
Selling and distribution expenses		**(461,507)**	(551,251)
Administrative expenses		**(81,310)**	(101,290)
Share of profits and losses of an associate		**(6,138)**	(7,435)
(LOSS)/PROFIT BEFORE TAX	5	**(51,531)**	294,575
Income tax expense	6	**9,337**	(70,520)
(LOSS)/PROFIT FOR THE PERIOD		**(42,194)**	224,055
Attributable to:			
Owners of the parent		**(42,194)**	224,055

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

For the six months ended 30 June 2020

	Notes	Six months ended June 30	
		2020	**2019**
		RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(7,201)**	13,719
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(7,201)**	13,719
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Translation from functional currency to presentation currency		**32,618**	(7,156)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**32,618**	(7,156)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**25,417**	6,563
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(16,777)**	230,618
Attributable to:			
Owners of the parent		**(16,777)**	230,618
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic (RMB)		**(0.02)**	0.10
Diluted (RMB)		**(0.02)**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,418,522**	1,409,390
Right-of-use assets	10(a)	**659,115**	843,671
Prepayments		**20,811**	20,963
Rental deposits		**87,860**	86,333
Other intangible assets		**31,875**	35,450
Investments in an associate	14	**244,277**	250,416
Deferred tax assets		**93,754**	70,448
Total non-current assets		**2,556,214**	2,716,671
CURRENT ASSETS			
Inventories	11	**386,355**	360,388
Trade receivables	12	**35,284**	35,405
Prepayments, deposits and other receivables	13	**158,148**	157,880
Structured deposits		**714,888**	760,861
Restricted cash	15	**336,099**	210,024
Cash in transit	15	**147**	697
Cash and bank balances	16	**1,195,471**	1,236,990
Total current assets		**2,826,392**	2,762,245
CURRENT LIABILITIES			
Interest-bearing bank and other borrowings, current	17	**339,364**	–
Trade payables	18	**65,748**	121,988
Other payables and accruals		**380,343**	331,699
Government grants, current		**2,100**	1,464
Lease liabilities, current		**310,283**	219,486
Income tax payable		**23,137**	64,232
Total current liabilities		**1,120,975**	738,869
NET CURRENT ASSETS		**1,705,417**	2,023,376
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,261,631**	4,740,047

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2020

	Notes	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**17,260**	17,172
Government grants, non-current		**46,233**	47,918
Lease liabilities, non-current	10(b)	**208,070**	436,548
Total non-current liabilities		**271,563**	501,638
NET ASSETS		**3,990,068**	4,238,409
EQUITY			
Equity attributable to owners of the parent			
Share capital	19	**16**	16
Treasury shares		**(263,525)**	(263,525)
Reserves		**4,253,577**	4,501,918
TOTAL EQUITY		**3,990,068**	4,238,409

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2020

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 located at the ices of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, 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 statements for the six months ended 30 June 2020 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2019.

The interim condensed consolidated financial statements have been prepared under the historical cost convention except structured deposits, which have been measured at fair value. The interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

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 2019, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

    During the period ended 30 June 2020, certain monthly lease payments for the leases of the Group's retail stores and office buildings have been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the covid-19 pandemic during the period ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB7,943,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2020.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Share-based payments

The Company operates a restricted share units scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share awards is reflected as additional share dilution in the computation of earnings per share.

In addition to the above accounting policy, other significant accounting policies refer to those included in annual financial statements for the year ended 31 December 2019.

3. OPERATING SEGMENT INFORMATION

The Group's principal business is the production, marketing and retailing of casual braised duck-related casual 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 approximately 100% of the Group's non-current assets were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 – Operating Segments.

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the net invoiced value of goods sold after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2020	**2019**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Type of goods		
Vacuum-packaged products	**115,630**	179,855
Modified-Atmosphere-Packaged products	**781,802**	1,433,223
Other products	**6,038**	12,869
Total revenue from contracts with customers	**903,470**	1,625,947

	Six months Ended 30 June	
	2020	**2019**
	RMB'000 (unaudited)	RMB'000 **(unaudited)**
Revenue contribution by sales channels		
Self-operated retail stores	**609,090**	1,403,174
Online channels	**238,707**	164,260
Modern trade channels	**16,410**	6,169
Franchisees	**16,089**	2,105
Others	**23,174**	50,239
Total revenue from contracts with customers	**903,470**	1,625,947

	Six months ended 30 June	
	2020	**2019**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Revenue derived from self-operated retail stores and franchisees		
Central China	**315,225**	842,101
Southern China	**127,479**	225,381
Eastern China	**79,083**	154,463
Northern China	**73,763**	149,573
Western China	**29,629**	33,761
Total	**625,179**	1,405,279

The timing of the above revenue recognition is when goods were transferred at a point in time.

	Six months ended 30 June	
	2020	**2019**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Other income and gains, net		
Government grants*	**7,210**	15,902
Donation expense	**(11,517)**	–
Interest income from bank deposits	**18,839**	30,841
Interest income from structured deposits measured at amortised cost	**7,395**	8,857
Interest income from structured deposits measured at FVPL	**4,505**	1,743
Fair value gains on structured deposits measured at FVPL	**(17)**	491
Loss on foreign exchange	**(11,055)**	(3,950)
Gain/(loss) on disposal of items of property, plant and equipment	**959**	(149)
Others	**5,281**	6,767
Total	**21,600**	60,502

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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	**2019**
	RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
Cost of inventories sold	**309,144**	598,159
Depreciation of property plant and equipment	**60,355**	48,736
Amortization of other intangible assets	**5,035**	4,836
Amortization of right-of-use assets	**164,275**	108,371
Minimum lease payments under operating leases in respect of stores and plant premises	**33,677**	91,017
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**141,479**	195,720
Equity-settled share-based payment expense, net	**1,362**	–
Pension scheme contributions	**12,966**	34,154
Other welfare	**14,145**	15,889
Advertising and promotion expenses	**14,839**	41,008
E-commerce and online ordering platform related service and delivery fees	**76,213**	70,919
Fuel cost	**8,904**	11,789
Utility expenses	**17,781**	20,451
Share of losses of an associate	**6,138**	7,435
Transportation expenses	**22,725**	41,078
(Gain)/loss on disposal of items of property, plant and equipment	**(959)**	149
Finance cost	**17,104**	14,584
Loss on foreign exchange	**11,055**	3,950
Interest income from bank deposits	**(18,839)**	(30,841)
Interest income from structured deposits measured at FVPL	**(4,505)**	(1,743)
Fair value gains on structured deposits measured at FVPL	**17**	(491)
Interest income from structured deposits measured at amortised cost	**(7,395)**	(8,857)

Note:

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with rules of the central pension scheme.

6. INCOME TAX

The major components of income tax expenses are as follows:

	Six months ended 30 June	
	2020	**2019**
	RMB'000 **(unaudited)**	**RMB'000** **(unaudited)**
Current income tax in PRC	**13,882**	72,588
Deferred tax	**(23,219)**	(2,068)
Total tax charge for the period	**(9,337)**	70,520

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.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The provision for current income tax in PRC is based on a statutory rate of 25% (six months ended 30 June 2019: 25%) of the assessable profits of 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% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Given that profits of this subsidiary were less than HK$2,000,000, the statutory tax rate for the subsidiary in Hong Kong was 8.25% (six months ended 30 June 2019: 8.25%). No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year.

7. INTERIME DIVIDENDS

The Directors of the Company proposed not to declare any interim dividend for the six months ended 30 June 2020.

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares 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. 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 of the effect of shares repurchased and held under the Restricted Share Units Scheme.

The Group had potentially dilutive ordinary shares of 3,947,200 in issue during the six months ended 30 June 2020 (six months ended 30 June 2019:Nil).

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

	Six months ended 30 June	
	2020	**2019**
	RMB'000 (unaudited)	**RMB'000 (unaudited)**
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**(42,194)**	224,055
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,317,728,500**	2,317,728,500
Weighted average number of ordinary shares under the Restricted Share Units Scheme	**3,947,200**	–
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**2,321,675,700**	–
(Loss)/earnings per share:		
Basic (RMB)	**(0.02)**	0.10
Diluted (RMB)	**(0.02)**	0.10

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB76,421,000 (the six months ended 30 June 2019: RMB227,336,000).

Items of property, plant and equipment with a net book value of RMB5,026,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB3,534,000).

10. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 and 9 years. Motor vehicles generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

(a) Right-of-use assets

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

	Prepaid land lease payments	Properties	Total
	RMB'000	RMB'000	RMB'000
Cost as at 1 January 2020	153,304	999,981	1,153,285
Additions	–	37,701	37,701
Disposals	–	(86,571)	(86,571)
Cost as at 30 June 2020	153,304	951,111	1,104,415
Depreciation as at 1 January 2020	(3,542)	(306,072)	(309,614)
Depreciation charge	(1,667)	(162,608)	(164,275)
Disposals	–	28,589	28,589
Depreciation as at 30 June 2020	(5,209)	(440,091)	(445,300)
Net carrying amount As at 1 January 2020	149,762	693,909	843,671
Net carrying amount As at 30 June 2020	148,095	511,020	659,115

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

During the six months ended 30 June 2020, RMB611,000 (six months ended 30 June 2019: RMB795,000) of amortisation of the prepaid land lease payments was capitalised as part of the construction costs of the factory in Nantong City, Chengdu City and Qianjiang City.

(b) ***Lease liabilities***

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

	Lease liabilities
	2020
	RMB'000
Carrying amount at 1 January	656,034
New leases	33,156
Disposals	(58,941)
Accretion of interest recognised during the year	12,227
Payments	(124,123)
Carrying amount at 30 June	518,353
Analysed into:	
Current portion	310,283
Non-current portion	208,070

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

	2020
	RMB'000
Interest on lease liabilities	12,227
Depreciation charge of right-of-use assets	164,275
Expense relating to short-term leases (included in selling and distribution expenses)	4,087
Variable lease payments not included in the measurement of lease liabilities (included in selling and distribution expenses)	18,213
Total amount recognised in profit or loss	198,802

(d) ***Variable lease payments***

The Group leased a number of the retail stores and units that contain variable payments based on the number of sales. Many of the property leases within the Group contain variable payment terms. Local management are responsible for store margins. Accordingly, lease terms are negotiated by local management and contain a wide range of payment terms. Variable payment terms are used for a variety of reasons, including minimising the fixed cost base for newly established stores or for reasons of margin control and operational flexibility. Variable lease payment terms vary widely across the Group:

(1) the majority of variable payment terms are based on a range of percentages of store sales;

(2) lease payments based on variable terms range from 0 to 20 per cent of total lease payments on an individual property; and

(3) some variable payment terms include minimum or cap clauses.

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. This facilitates the management of margins across the Group.

Variable rent expenses are expected to continue to represent a similar proportion of store sales in future years.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 19(b) to the financial statements.

11. INVENTORIES

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
At cost:		
Raw materials	**342,969**	299,476
Work in progress	**827**	7,003
Finished goods	**26,548**	36,961
Packaging materials	**16,011**	16,948
	386,355	360,388

12. TRADE RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Trade receivables	**35,284**	35,405
Less: Impairment provision	**–**	–
	35,284	35,405

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Within 3 months	**34,132**	35,320
Over 3 months	**1,152**	85
	35,284	35,405

The Group applies the simplified approach to provide for expected credit losses prescribed in HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of the trade receivables to measure the expected credit losses. As all of the receivables were neither past due nor impaired and relate to diversified customers for whom there was no recent history of default and there has not been a significant change in credit quality, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Prepaid property rents	**24,018**	23,486
Advances to employees	**3,242**	3,040
Advances to suppliers	**12,414**	9,269
Deductible input VAT	**63,149**	80,942
Current portion of prepaid land lease payments	**3,332**	3,317
Others	**51,993**	37,826
	158,148	157,880

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

14. INVESTMENT IN AN ASSOCIATE

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Share of net assets	**244,277**	250,416

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

Name	Place incorporation	Percentage of voting power	Principal activities
Shenzhen Tiantu Xingnan Investment Partnership (Limited Partnership)	China	40.00	Investment Fund

In March 2018, the Group, through an indirect wholly-owned subsidiary, entered into a partnership agreement with Shenzhen Tiantu Capital Management Centre (Limited Partnership) and Shenzhen Tiantu Xing'an Investment Enterprise (Limited Partnership) to jointly form Shenzhen Tiantu Xingnan, an investment fund, as a limited partner with an initial subscription amount of RMB500,000,000, representing 50% of the total initial subscription amount of this fund.

In March 2019, as a third-party limited partner newly invested into the fund with an initial subscription amount of RMB333,000,000, the Group's initial subscription amount of RMB500,000,000 represented 37.51% of the total initial subscription amount of this fund.

In December 2019, as another third-party limited partner newly invested into the fund with an initial subscription amount of RMB267,000,000, the Group's initial subscription amount of RMB500,000,000 represented 31.25% of the total initial subscription amount of this fund.

As at 30 June 2020, the Group has contributed RMB250,000,000 to Shenzhen Tiantu Xingnan as of 30 June 2020, which accounted for 32.6% of total contributed capital of the associate.

The following table illustrates the aggregate financial information of the Company's associate that are not individually material:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Aggregate carrying amount of the Group's investment in the associate	**244,277**	250,416

15. RESTRICTED CASH AND CASH IN TRANSIT

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Restricted cash	**336,099**	210,024

As at 30 June 2020 and 31 December 2019, restricted cash represented deposits for letters of credit, which are non-interest-bearing cash deposits paid to a commercial bank for purchasing equipment and will be returned upon the completion of such activities.

All of the restricted cash of the Group is denominated in RMB as of 30 June 2020 and 31 December 2019.

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Cash in transit	**147**	697

The cash in transit represents the sales proceeds settled by debit cards or credit cards, which have yet to be credited by the banks to the Group.

16. CASH AND BANK BALANCES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Cash and cash in bank	**358,390**	190,306
Time deposits	**837,081**	1,046,684
	1,195,471	1,236,990
Less: term deposits with maturity over three months	**837,081**	1,046,684
Cash and cash equivalents	**358,390**	190,306

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in RMB amounted to RMB940,354,000 (31 December 2019: RMB431,802,000).

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020		
	Effective interest rate	**Maturity**	
	(%)		**RMB'000**
Bank loans – secured	3.85	on demand	5,000
Bank loans – secured	3.85	on demand	25,000
Bank loans – secured	2.47	on demand	209,364
Bank loans – secured	2.06	on demand	100,000
			339,364

Notes:

(a) The Group's bank loans are secured by:

(i) the pledge of certain of the Group's time deposits amounting to RMB332,098,000 (2019: RMB209,286,000).

In addition, a domestic subsidiaries of the Company has guaranteed certain of the Group's bank loans up to RMB30,000,000 (2019: Nil) as at the end of the reporting period.

(b) Except for the 61.7% secured bank loan which is denominated in United States dollars, all borrowings are in Renminbi.

	30 June 2020	**31 December 2019**
	RMB'000 (unaudited)	**RMB'000 (audited)**
Bank loans		
Within one year or on demand	**339,364**	–
	339,364	–

18. TRADE PAYABLES

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

	30 June 2020	**31 December 2019**
	RMB'000 (unaudited)	**RMB'000 (audited)**
Within 3 months	**55,566**	119,421
3 to 6 months	**5,969**	2,278
Over 6 months	**2,747**	182
Over 12 months	**1,466**	107
	65,748	121,988

The trade payables are non-interest-bearing.

19. SHARE CAPITAL

	30 June 2020	**31 December 2019**
	RMB'000 (unaudited)	**RMB'000 (audited)**
Authorised:		
50,000,000,000 shares of USD0.000001 each	**306**	306
Issued and fully paid:		
2,383,140,500 shares of USD0.000001 each	**16**	16

20. RESTRICTED SHARE UNITS SCHEME

The Company operates a Restricted Share Units Scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and senior management. The Scheme became effective on 25 July 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Any further grant of share award in excess of this limit is subject to shareholders' approval in a general meeting.

The eligible participant for participation in the Scheme (the "**Selected Participant**") is selected and the number of shares to be awarded under the Scheme is determined by the board of directors. The board of directors also determines whether the shares will be awarded with or without payment of a price by the Selected Participant (the "**Grant Price**") and the amount of the Grant Price. The shares to be awarded under the Scheme has been purchased by a trustee (the "**Trustee**") from the open market out of cash contributed by the Group and be held on trust for the Selected Participant until such shares are vested with the Selected Participant in accordance with the provisions of the Scheme.

The Trustee shall not exercise the voting rights in respect of any shares held on trust for the Company or the Selected Participant.

The following shares were outstanding under the Scheme during the period:

Date of grant	Share price as at the date of grant	Grant Price	Number of shares: As at 1 Jan 2020	Granted during the period	Vested during the period	Forfeited during the period	As at 30 Jun 2020	Vesting period
	HK$	HK$						
20 April 2020	4.73	0.83	–	4,580,900	–	–	4,580,900	20 April 2020– 20 April 2024

For the six months ended 30 June 2020, the Group recognised equity-settled share-based payment expense of RMB1,361,890 (the six months ended 30 June 2019: Nil).

21. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Contracted, but not provided for:		
Land and buildings	**248,895**	237,803
Plant and machinery	**31,563**	41,263
	280,458	279,066

In addition, the Group's undrawn capital calls to an associate is as follows:

	30 June 2020	31 December 2019
	RMB'000 (unaudited)	RMB'000 (audited)
Capital contributions payable to an associate	**250,000**	250,000

The Group has various lease contracts that have not yet commenced as at 30 June 2020. The future lease payments for these non-cancellable lease contracts are RMB332,633,526 due within one year, RMB233,227,463 due in the second to fifth years, inclusive and RMB1,650,882 due after five years.

22 RELATED PARTY TRANSACTIONS

a) Name and relationship of related parties

Related parties for the six months ended 30 June 2020 and the year ended 31 December 2019 were as follows:

Name	Relationship
Mr. Zhou Fuyu and Ms. Tang Jianfang	Ultimate controlling shareholder
Zhou Hei Ya Foods Joint Stock Limited Company ("**ZHY Foods**")	Subsidiary controlled by Controlling Shareholders

b) Transactions with related parties

The following transactions were carried out with related parties:

Pursuant to the agreements between the Group and the Controlling Shareholders, Hubei Shiji Yuanjing leased six stores for the six months ended 30 June 2020 (six months ended 30 June 2019: seven) from the Controlling Shareholders for its operation with periods ranging from 1 year to 2 years. The lease terms were mutually agreed between parties.

For those six stores, the leases of those stores should adopt HKFRS 16. The amount of rent payable by the Group under the leases was approximately RMB237,414 per month for the six months ended 30 June 2020. As of June 30 2020, the Group recognised lease liabilities of RMB3,658,000.

	Amounts owed by the Group to related parties		Related interest expenses	
			Year ended 30 June	
	30 June 2020	31 December 2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities due to the Controlling Shareholders	**3,658**	5,284	**247**	237

c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2020	2019
	RMB'000 (unaudited)	RMB'000 (unaudited)
Short term employee benefits	**4,393**	2,704
Equity-settled share-base payment expense	**628**	–
Post-employee benefits	**315**	301
	5,336	3,005

23. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2020 (unaudited)

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Designated as such upon initial recognition	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	35,284	–	35,284
Financial assets included in prepayments, deposits and other receivables	13,591	–	13,591
Structured deposits	403,369	311,519	714,888
Rental deposits	87,860	–	87,860
Restricted cash	336,099	–	336,099
Cash in transit	147	–	147
Cash and bank balances	1,195,471	–	1,195,471
	2,071,821	311,519	2,383,340

Financial liabilities

	Financial liabilities measured at amortised cost
	RMB'000
Trade payables	65,748
Interest-bearing bank and other borrowings, current	339,364
Financial liabilities included in other payables	207,992
Lease liabilities	518,353
	1,131,457

31 December 2019 (audited)

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss – Designated as such upon initial recognition	Total
	RMB'000	RMB'000	RMB'000
Trade receivables	35,405	–	35,405
Financial assets included in prepayments, other receivables and other assets	11,166	–	11,166
Rental deposits	86,333	–	86,333
Structured deposits	438,724	322,137	760,861
Restricted cash	210,024	–	210,024
Cash in transit	697	–	697
Cash and bank balances	1,236,990	–	1,236,990
	2,019,339	322,137	2,341,476

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	121,988
Financial liabilities included in other payables	131,767
Lease liabilities	656,034
	909,789

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank, cash in transit, restricted cash, financial assets at fair value through profit or loss, rental deposits, trade receivables, structured deposits, amounts due from the Controlling Shareholders, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in other payables and accruals, interest-bearing bank and other borrowings, amounts due to the Controlling Shareholders approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in structured deposits, which were issued by banks in Mainland China. The Group has estimated the fair value of these structured deposits measured at fair value by using a discounted cash flow valuation model based on the AAA rating bond yield and the implied liquidity spread as at the issue date.

Fair value hierarchy

The fair value measurement hierarchy of the Group's structured deposits as at 31 December 2019 was all of Level 2 – significant observable inputs as at the end of the reporting period.

The fair value measurement hierarchy of the Group's structured deposits as at 30 June 2020 was all of Level 2 – significant observable inputs as at the end of the reporting period.

During the reporting period, there were no transfers of fair value measurements between Level 1 – quoted price in active markets and Level 2 – significant observable inputs and no transfers into or out of Level 3 – significant unobservable inputs.

Level 2 valuations: valuation techniques using inputs other than quoted prices included within level 1 that are observable for the financial asset or financial liability, either directly or indirectly.

25. IMPACT OF COVID-19

Due to the COVID-19 outbreak, the Group's business has been affected to a certain extent. Hubei province, as the center of early outbreak, has been subject to considerable adverse impacts. Since April 2020, the overall operation of the Group has been improving, however, it is also noted that the recovery of consumer traffic in Hubei as well as in areas surrounding transport hubs has been relatively slow which was lower than initially expected. In turn, the Group's financial performance in the first half of 2020 has been adversely impact. The Group recorded a 44.4% decrease in the revenue for the six months ended June 30, 2020 as compared with that of the corresponding period in 2019, and a net loss for the six months ended June 30, 2020 attributable to parent of the Company of RMB42.1 million (for the corresponding period in 2019: a net profit of RMB224.1 million).

The Group has been paying close attention to the development of the COVID-19 outbreak and continuously reviewing its response measures. These measures include actively developing franchise cooperation, developing new retail modern supermarket channels, launching new products, expanding online sales channels, promoting convenient takeout and group purchase services and implementing active measures to reduce rents, labor and other operating costs so as to ensure that the Group's cash flow is stable and it is in good cash position.

Since it is unclear when the COVID-19 outbreak will be fully under control and economic activities are being pressured to slow down, the degree and time of recovery of the Group's operations remain uncertain.

26. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2020 and up to the date of this announcement, no material events were undertaken by the Group.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company during the six months ended June 30, 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended June 30, 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code throughout the six months ended June 30, 2020.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors as members, namely Mr. Wu Chi Keung, Mr. Chan Kam Ching, Paul, and Mr. Lu Weidong. Mr. WU Chi Keung is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the Interim Results for the six months ended June 30, 2020.

INTERIM DIVIDEND

The Board proposed not to declare any interim dividend for the six months ended June 30, 2020 (June 30, 2019: nil).

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

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.zhouheiya.cn). The interim report will be dispatched to the shareholders of the Company and will be available on the website of the 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 24, 2020

As at the date of this announcement, Mr. Zhou Fuyu, Mr. Zhang Yuchen and Mr. Wen Yong are the executive Directors; Mr. Pan Pan is the non-executive Director; and Mr. Wu Chi Keung, Mr. Chan Kam Ching, Paul and Mr. Lu Weidong are the independent non-executive Directors.