Yik Wo International Holdings Limited
易和國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8659)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.yikwo.cn.

INTERIM RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding period in 2019, as follows:

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

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2020

		Three months ended 30 June		**Six months ended 30 June**	
		2020	2019	**2020**	2019
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**61,830**	56,338	**106,089**	98,631
Cost of sales		**(42,428)**	(39,845)	**(74,814)**	(69,857)
Gross profit		**19,402**	16,493	**31,275**	28,774
Other income		**27**	12	**50**	23
Selling expenses		**(3,015)**	(2,809)	**(5,214)**	(5,124)
Administrative and other operating expense		**(7,291)**	(6,366)	**(11,322)**	(12,440)
Profit from operations		**9,123**	7,330	**14,789**	11,223
Finance costs		**(50)**	(57)	**(102)**	(115)
Profit before income tax	*5*	**9,073**	7,273	**14,687**	11,118
Income tax expense	*6*	**(3,231)**	(2,621)	**(4,798)**	(3,702)
Profit for the period		**5,842**	4,652	**9,889**	7,416

	Notes	Three months ended 30 June **2020** *RMB'000* (**unaudited**)	Three months ended 30 June 2019 *RMB'000* (unaudited)	Six months ended 30 June **2020** *RMB'000* (**unaudited**)	Six months ended 30 June 2019 *RMB'000* (unaudited)
Other comprehensive income, net of tax:					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operation recognised		**9**	(9)	**8**	(9)
Total comprehensive income for the period		**5,851**	4,643	**9,897**	7,407
Profit for the period attributable to:					
Equity holders of the Company		**5,842**	4,526	**9,889**	7,152
Non-controlling interests		**—**	126	**—**	264
		5,842	4,652	**9,889**	7,416
Total comprehensive income for the period attributable to:					
Equity holders of the Company		**5,851**	4,517	**9,897**	7,143
Non-controlling interests		**—**	126	**—**	264
		5,851	4,643	**9,897**	7,407
Earnings per share attributable to equity holders of the Company					
– Basic and diluted (RMB cents)	*8*	**1.30**	1.01	**2.20**	1.59

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	**As at 30 June 2020** ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	*9*	**28,364**	28,077
Intangible assets	*10*	**5,500**	6,500
		33,864	34,577
Current assets			
Inventories	*11*	**7,064**	6,390
Trade and other receivables	*12*	**40,090**	38,370
Amount due from ultimate holding company		**1**	1
Amount due from a shareholder		**6,018**	6,018
Cash and cash equivalents		**38,565**	26,171
		91,738	76,950
Current liabilities			
Trade and other payables	*13*	**29,513**	26,109
Income tax payable		**3,232**	2,267
Lease liabilities	*14*	**609**	595
		33,354	28,971
Net current assets		**58,384**	47,979
Total assets less current liabilities		**92,248**	82,556

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Non-current liabilities			
Lease liabilities	*14*	**3,498**	3,703
Net assets		**88,750**	78,853
Capital and reserves			
Share capital	*15*	**1**	1
Reserves		**88,749**	78,852
Total equity		**88,750**	78,853

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to equity holders of the Company						Non-controlling interest	Total
	Share capital	Share premium*	Statutory reserve*	Translation reserve*	Retained profits*	Total		
	RMB'000 *(Note 15)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	20,001	—	7,812	—	49,217	77,030	4,054	81,084
Profit for the period	—	—	—	—	7,152	7,152	264	7,416
Other comprehensive income								
– Exchange differences on translation of foreign operation recognised	—	—	—	(9)	—	(9)	—	(9)
Total comprehensive income for the period	—	—	—	(9)	7,152	7,143	264	7,407
Transaction with owner								
– Dividend declared	—	—	—	—	(21,755)	(21,755)	(1,145)	(22,900)
– Issue of share capital	—*	20,000	—	—	—	20,000	—	20,000
– Acquisition of Hengsheng Animation Diffustion Co., Ltd. ("Hangsheng Animation")*	(20,000)	—	—	—	3,173	(16,827)	(3,173)	(20,000)
As at 30 June 2019	1	20,000	7,812	(9)	37,787	65,591	—	65,591
At 1 January 2020	**1**	**20,000**	**9,829**	**(96)**	**49,119**	**78,853**	**—**	**78,853**
Profit for the period	—	—	—	—	9,889	9,889	—	9,889
Other comprehensive income								
– Exchange differences on translation of foreign operation recognised	—	—	—	8	—	8	—	8
Total comprehensive income for the period	—	—	—	8	9,889	9,897	—	9,897
As at 30 June 2020	1	20,000	9,829	(88)	59,008	88,750	—	88,750

* Represented amount of less than RMB1,000.

* The reserves accounts comprise the Group's reserve of RMB88,749,000 in the condensed consolidated statement of financial position as at 30 June 2020 (as at 31 December 2019: RMB78,852,000).

* Hengsheng Animation is a wholly foreign-owned enterprise established in the PRC on 13 April 2011 and an indirect wholly-owned subsidiary of the Company.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**15,993**	7,399
Cash flows used in investing activities		
Interest received	**50**	23
Purchase of property, plant and equipment	**(3,657)**	(836)
Proceeds of disposal of property, plant and equipment	**—**	2
Net cash used in investing activities	**(3,607)**	(811)
Cash flows used in financing activities		
Issue of shares pursuant to Pre-IPO investment	**—**	20,000
Acquisition of interest in Hengsheng Animation	**—**	(20,000)
Net cash used in financing activities	**—**	—
Net increase in cash and cash equivalents	**12,386**	6,588
Cash and cash equivalents at the beginning of the period	**26,171**	9,044
Effect of foreign exchange rate changes	**8**	(9)
Cash and cash equivalents at the end of the period	**38,565**	15,623

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 December 2018. The immediate and ultimate holding company is Prize Investment Limited, a company incorporated in the British Virgin Islands, which is controlled by Mr. Xu Youjiang ("Controlling Shareholder" or "Mr. Xu"). The address of the registered office and principal place of business of the Company are at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, China, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated interim financial information does not include all of the information required in annual consolidated financial statements and should be read in conjunction with the accountant's report of the Group for the year ended 31 December 2019 included in the prospectus.

The condensed consolidated interim financial information is unaudited.

The condensed consolidated interim financial information is presented in thousands of units of Renminbi ("RMB'000"), except when otherwise indicated, which was approved for issue by the Board of Directors on 14 August 2020.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the accounting policies adopted in the Group's accountant's report for the year ended 31 December 2019, except for the adoption of the following new and amended Hong Kong Financial Report Standards ("HKFRSs") issued by the HKICPA effective for the annual period beginning on 1 January 2020.

Adoption of new and amended HKFRSs

The Group has adopted the following new and amended HKFRSs that have become effective for accounting period beginning on 1 January 2020 and are relevant to the Group:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not applied any new standards, interpretations or amendments to standards and interpretations that is not yet effective for the current accounting period.

4. REVENUE

The Group derives revenue from sales of products in the following brand and nature.

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Brand:				
Products under "JAZZIT" brand	**55,398**	49,604	**94,660**	87,198
Non-branded products	**6,432**	6,734	**11,429**	11,433
	61,830	56,338	**106,089**	98,631
Nature:				
Regular products	**34,270**	44,119	**69,481**	77,596
Customised products	**26,943**	11,524	**35,170**	19,666
Others	**617**	695	**1,438**	1,369
	61,830	56,338	**106,089**	98,631

The chief operating decision-maker has been identified as the executive directors of the Company. The Directors regard the Group's business of design and development, manufacturing and sales of disposable plastic food storage containers as a single operating segment and reviews the overall results of the Group as a whole to make decisions about resources allocation and assess the performance of the component. Accordingly, no segment analysis information is presented.

Geographical information

The table below set forth the breakdown of our revenue by geographical locations:

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
PRC	**61,183**	55,177	**104,995**	97,138
Overseas	**647**	1,161	**1,134**	1,493
	61,830	56,338	**106,089**	98,631

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation				
– Owned used	**1,526**	1,384	**3,038**	2,754
– Held under leases	**166**	166	**332**	332
Amortisation of intangible assets included in administrative and other operating expenses	**500**	500	**1,000**	1,000
Short-term lease charges in respect of – Premises	**19**	18	**38**	36
Cost of inventories recognised as an expense	**37,333**	35,616	**66,127**	61,639
Research and development cost (including staff costs)	**1,515**	2,190	**2,867**	4,205
Loss on disposals of property, plant and equipment	**—**	93	**—**	93
Listing expenses	**3,699**	2,056	**4,133**	4,317
Staff costs (including Directors' emoluments)				
– Salaries, allowances and other benefits	**3,438**	3,127	**6,150**	5,888
– Contributions to defined contribution retirement plans	**8**	121	**48**	249
	3,446	3,248	**6,198**	6,137

6. INCOME TAX EXPENSE

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is accordingly not subject to income tax in the Cayman Islands.

No provision for profits tax has been provided by the Company as the Company had no assessable profits subject to taxation in any jurisdiction. No provision for Hong Kong profits tax has been provided as the Group had no assessable profits arising from Hong Kong during the six months ended 30 June 2020 and 2019.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2019: 25%) on the assessable profits of the PRC subsidiaries.

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(**unaudited**)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
– Provision for PRC enterprise income tax	**3,231**	1,911	**4,798**	2,992
– Underprovision in prior year	**—**	710	**—**	710
	3,231	2,621	**4,798**	3,702

7. DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: RMB22,900,000).

8. EARNINGS PER SHARE

The basis earnings per share is calculated based on the profits for the period attributable to equity holders of the Company and the number of ordinary shares outstanding during the period on the assumption of that the Reorganisation and the Capitalisation Issue as defined and set out in the Company's prospectus dated 30 June 2020 had been effective on 1 January 2019.

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	(**unaudited**)	(unaudited)	(**unaudited**)	(unaudited)
Earnings:				
Profit for the period attributable to equity holder of the Company	**5,842**	4,526	**9,889**	7,152
Number of shares:				
Number of ordinary shares (in thousands)	**450,000**	450,000	**450,000**	450,000

Diluted earnings per share for both periods were the same as basic earning per share. No adjustment has been made to the basic earnings per share amounts presented for both periods as there was no potential ordinary share in issue.

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB3,657,000 (six months ended 30 June 2019: RMB836,000) on the acquisition of property, plant and equipment. In addition, the Group disposed of certain plant and equipment with an aggregate carrying amount of nil (six months ended 30 June 2019: RMB95,000) for proceeds of nil (six months ended 30 June 2019: RMB2,000), resulting in a loss of disposal of nil (six months ended 30 June 2019: RMB93,000).

10. INTANGIBLE ASSETS

	RMB'000
Cost	
As at 1 January 2020 (audited) and 30 June 2020 (unaudited)	**9,500**
Accumulated amortisation	
As at 1 January 2020 (audited)	**3,000**
Charge for the period	**1,000**
As at 30 June 2020 (unaudited)	**4,000**
Net book amount	
As at 30 June 2020 (unaudited)	**5,500**
As at 31 December 2019 (audited)	6,500

11. INVENTORIES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Raw materials	**5,209**	3,038
Finished goods	**1,855**	3,352
	7,064	6,390

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables		
From third party	**35,460**	35,442
Prepayments	**4,630**	2,928
	40,090	38,370

Before accepting any new customer, the Group applies an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 40 days. Overdue balances are reviewed regularly by the senior management. Trade receivables are non-interest bearing.

All trade receivables are denominated in RMB. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. As at 30 June 2020 and 31 December 2019, all trade receivables were not past due. During the six months ended 30 June 2020 and year ended 31 December 2019, no write-off was made against the trade receivables.

The ageing analysis of trade receivables based on invoice dates is as follows:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 30 days	**22,918**	19,229
31–60 days	**12,542**	16,213
	35,460	35,442

13. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Trade payables		
– To third parties	**22,260**	22,541
Accrued charges and other payable		
Other tax payable	**893**	436
Accrued salaries	**859**	1,060
Accrued listing expense	**5,165**	676
Other payable and accruals	**336**	1,396
	7,253	3,568
Total trade and other payables	**29,513**	26,109

The credit period on trade payables ranges from 30 to 60 days.

All trade payables are denominated in RMB. All amounts are short-term and hence the carrying values of trade and other payables are considered to be a reasonable approximation of their fair values.

The following is an ageing analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
0–30 days	**14,522**	12,963
31–90 days	**7,738**	9,578
	22,260	22,541

14. LEASE LIABILITIES

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Total minimum lease payments:		
– Within one year	**793**	793
– After one year but within two years	**3,122**	3,415
– After two years but within five years	**891**	891
	4,806	5,099
Finance charges	**(699)**	(801)
	4,107	4,298

	As at 30 June 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (audited)
Present value of minimum lease payments:		
– Within one year	**609**	595
– Due in second to fifth years	**2,639**	2,864
– Due after the fifth years	**859**	839
	4,107	4,298
Less: Portion due within one year included under current liabilities	**(609)**	(595)
Portion due after one year included under non-current liabilities	**3,498**	3,703

On 21 June 2020, lease period of certain lease agreements with Jinjiang Hengsheng Toys Co., Ltd. ("Hengsheng Toys") were revised from ten years to three years effective from 21 June 2020. The Group can elect to renew for another three years with same rentals upon the expiration of the three-year lease term. Thereafter the lease period and rentals are subject to negotiations but Hengsheng Toys agrees to lease to the Group for a maximum of 20 years from 21 June 2020. The effect of modification of the lease terms to the consolidated financial statements is not significant.

15. SHARE CAPITAL

	Number of ordinary shares	Amount
		HK$'000
Authorised		
As at 1 January 2019 (audited) and at 31 December 2019 (audited)	38,000,000	380
Increase in authorised share capital *(note i)*	4,962,000,000	49,620
At 30 June 2020 (unaudited)	5,000,000,000	50,000

	Number of ordinary shares	RMB'000
Issued and fully paid		
As at 1 January 2019 (audited)	1	1
Issuance of ordinary shares *(note i)*	8,199	—*
Issuance of ordinary shares pursuant to Pre-IPO Investment *(note ii)*	1,800	—*
At 31 December 2019, 1 January 2020 (audited) and 30 June 2020 (unaudited)	10,000	1

* Represented amount of less than RMB1,000

The ordinary shares of the Company has a par value of HK0.01 each.

Note (i): The Company issued 999 ordinary shares on 4 January 2019 of HK$0.01 each at par to Prize Investment Limited. On 30 April 2019, 7,200 ordinary shares of HK$0.01 each were issued at par to Prize Investment Limited.

Note (ii): On 23 April 2019 and 7 May 2019, the Company entered into pre-IPO investment agreements with two independent third parties to allot and issue 1,200 and 600 ordinary shares of HK$0.01 each at the total consideration of RMB13,333,000 and HK$7,610,000, respectively.

Note (iii): On 19 June 2020, the authorised share capital of the Company increased from HK$380,000 to HK$50,000,000 divided by 5,000,000,000 ordinary shares of HK$0.01 each by creation of an additional 4,962,000,000 shares.

16. RELATED PARTY DISCLOSURES

16.1 Transactions with related party

In addition to the transactions detailed elsewhere in these unaudited condensed consolidated interim financial statements, the Group entered into the following transactions with related parties during the period:

		Three months ended 30 June		Six months ended 30 June	
Related parties	**Nature of transactions**	**2020**	2019	**2020**	2019
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Hengsheng Toys	– Rental expresses	**19**	18	**38**	36

16.2 Compensation of key management personnel

	Three months ended 30 June		Six months ended 30 June	
Key management personnel remuneration	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Salaries, allowances and benefits	**342**	344	**677**	559
Retirement benefits scheme contributions	**4**	6	**11**	10
	346	350	**688**	569

17. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this announcement, the following significant events took place subsequent to 30 June 2020:

i) On 2 July 2020, the Company declared and paid a dividend in favour of one of the ordinary shareholders of the Company, Prize Investment Limited, in an aggregate amount of RMB7,522,185 to offset the amount due from the ultimate holding company and amount due from a shareholder.

ii) On 13 July 2020, a total of 150,000,000 new shares of the Company were issued at the offer price of HK$0.4 per share, upon the listing of the Company's shares on GEM of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Group is principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the PRC. Mr. Xu, the chairman and executive director of the Company is responsible for the overall management, strategic development and major decision-making of the Group.

The Group facilitates production of a comprehensive range of disposable plastic food storage containers design and production of moulds, which are mainly sold to customers in the PRC, with a small portion of the sales to customers in overseas countries, including the United States, Australia, Saudi Arabia and the Republic of Trinidad and Tobago.

For the six months ended 30 June 2020, the revenue of the Group recorded an increase primarily due to the demands for the Group's disposable plastic food storage containers having increased and remaining at a high level.

Looking forward, the Directors consider that the Group will continue to be affected by external opportunities and challenges such as the popularity of environmentally friendly disposable plastic food storage containers, advances in production technologies and competition from substitutes, such as disposable food storage containers in the market made of other materials. The Directors are of the view that maintaining product safety and focusing on environmental protection, brand promotion, expansion of sales channels and product customisation remain to be the key drivers for the growth of the disposable plastic storage container business. With the Group's experienced management team and reputation in the market, the Directors consider that the Group is well-positioned to compete against its competitors under such future challenges that are commonly faced by all competitors, and the Group will continue to strengthen its market position in the industry and expand its market share by the implementation of the Group's business plans through utilisation of the net proceeds from the listing of the Company's shares (the "Shares") on GEM of the Stock Exchange (the "Listing") on 13 July 2020.

Financial Review

Revenue

The revenue increased from approximately RMB98.6 million for the six months ended 30 June 2019 to approximately RMB106.1 million for the six months ended 30 June 2020, representing an increase of approximately RMB7.5 million or approximately 7.6%. Such increase was mainly due to the increase in demands for take-away food by the general public due to the outbreak of COVID-19.

Cost of sales

The cost of sales increased from approximately RMB69.9 million for the six months ended 30 June 2019 to approximately RMB74.8 million for the six months ended 30 June 2020, representing an increase of approximately RMB4.9 million or approximately 7.1%. Such increase was mainly attributable to the increase in expenses, such as salary and raw material purchased, incurred during the temporary suspension of the operation of our Production production facilities from 29 January 2020 to 9 February 2020 in accordance with the policies imposed by the local government.

Gross Profit

Gross profit of the Group increased by approximately RMB2.5 million or approximately 8.7% from approximately RMB28.8 million for the six months ended 30 June 2019 to approximately RMB31.3 million for the six months ended 30 June 2020. The increase was mainly driven by the increase in gross profit margin for the six months ended 30 June 2020. The overall gross profit margin increased from approximately 29.2% for the six months ended 30 June 2019 to approximately 29.5% for the six months ended 30 June 2020 due to the increase in selling price of the Group's products with a higher demand for the Group's products in the market.

Administrative and other operating Expenses

Administrative and other operating expenses of the Group decreased by approximately RMB1.1 million or approximately 9.0% from approximately RMB12.4 million for the six months ended 30 June 2019 to approximately RMB11.3 million for the six months ended 30 June 2020.

Administrative and other operating expenses primarily consist of staff costs, amortisation expense in intangible assets, travelling expenses, utilisation expenses and entitlement expenses, depreciation, transportation and motor vehicle expenses, professional service fees and other costs incurred for the Group's daily operation. The decrease was mainly attributable to a re-allocation of materials in research and development to construction in progress and decrease in professional service fees following the Listing.

Listing Expenses

During the six months ended 30 June 2020 and 2019, the Group recognised non-recurring listing expenses of approximately RMB4.1 million and RMB4.3 million respectively in connection with the Listing.

Finance Costs

Finance costs for the Group decreased by approximately RMB0.01 million or approximately 11.3% from approximately RMB0.12 million for the six months ended 30 June 2019 to approximately RMB0.10 million for the six months ended 30 June 2020. It was mainly due to the lease arrangement in respect of the machinery and equipment at the end of lease term.

Income Tax Expense

Income tax expense for the Group increased by approximately RMB1.1 million or approximately 29.6% from approximately RMB3.7 million for the six months ended 30 June 2019 to approximately RMB4.8 million for the six months ended 30 June 2020. The increase in taxation was mainly attributable to the increase in profit before taxation from approximately RMB11.1 million for the six months ended 30 June 2019 to approximately RMB14.7 million for the six months ended 30 June 2020.

Profit for the Period

Profit for the period increased by approximately RMB2.5 million or approximately 33.3% from approximately RMB7.4 million for the six months ended 30 June 2019 to approximately RMB9.9 million for the six months ended 30 June 2020. Such increase was primarily attributable to the net effect of the increase in gross profit, selling expenses and income tax expense and decrease in administrative and other operating expenses.

Liquidity, Financial Resources and Capital Structure

Our net current assets increased from approximately RMB48.0 million as at 31 December 2019 to approximately RMB58.4 million as at 30 June 2020 primarily due to (i) the increase in trade and other receivables of approximately RMB1.7 million, (ii) the increase in cash and cash equivalents of approximately RMB12.4 million and (iii) the increase in inventories of approximately RMB0.7 million, partially offset by the increase in trade and other payables of approximately RMB3.4 million and the increase in income tax payables of approximately RMB1.0 million.

The current ratio improved slightly from approximately 2.7 as at 31 December 2019 to approximately 2.8 as at 30 June 2020.

The gearing ratio is calculated based on debts divided by total equity as at the respective dates and multiplied by 100%. The gearing ratio remained at a similar level at approximately 38.6% and approximately 37.9% as at 31 December 2019 and 30 June 2020, respectively.

Share Capital

Details of the movements during the year ended 31 December 2019 and six months ended 30 June 2020 in the Company's share capital are set out in note 15 to the unaudited condensed consolidated interim financial statements in this announcement.

Segmental Information

The Directors regard the Group's business of design and development, marketing and sales of disposable food storage container as a single operation segment.

Future Plans for Material Investments and Capital Assets

As at 30 June 2020, the Group did not have plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant Investments Held

There was no significant investment held by the Group during the six months ended 30 June 2020 (2019: Nil).

Charges on Group Assets

As at 30 June 2020, the Group did not have any charges on its assets (31 December 2019: Nil).

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2020 (31 December 2019: Nil).

Exposure to Exchange Rate Fluctuation

The Group's revenue generating operations are mainly transacted in RMB. The Directors consider that the impact of foreign exchange exposure to the Group is minimal.

Employees and Remuneration Policies

As at 30 June 2020, the Group employed a total of 133 employees (31 December 2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB6.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately RMB6.1 million). Remuneration is determined with reference to a fixed salary and the Group utilises an appraisal system for the employees, which is based on conducting salary reviews and thereby making promotion decisions.

Use of Proceeds

Since the Company's Listing on 13 July 2020, no proceed has been utilised since the Listing Date and up to the date of this announcement and it is expected that the Group will utilise such net proceeds in the manner consistent with the proposed allocation as stated in the prospectus of the Company dated 30 June 2020 (the "Prospectus").

The Implementation Plan (as defined in the Prospectus) of the Group was based on business objectives and strategies at the time of preparation of the Prospectus. The Directors are of the view that the Implementation Plan remains applicable and the proceeds shall be applied with the view of expanding the Group's production capacity and enhancing the Group's production efficiency by purchasing new machinery, setting up a second production facility to cope with the Group's business expansion, strengthening the Group's research and development capabilities in mould and product design and production and production techniques and continuing to expand the Group's sales and marketing team.

The Directors will constantly evaluate the Group's business objective and will change or modify its plans against the changing market conditions to align with the intended and projected business growth of the Group.

Disclosure of Interests

A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this announcement, the interests or short positions of the Directors, chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long Position in the Company's Shares

Name of Director	Capacity	Number and class of securities (Note 1)	Long/short position	Approximate percentage of shareholding in the Company
Mr. Xu	Interest of a controlled corporation *(Note 1)*	301,500,000 ordinary shares	Long	50.25%
Ms. Xu Liping	Interest of spouse *(Note 2)*	301,500,000 ordinary shares	Long	50.25%

Notes:

1. M. Xu holds the entire issued share capital of Prize Investment Limited. Accordingly, Mr. Xu is deemed to be interested in the Shares held by Prize Investment Limited under the SFO.

2. Ms. Xu Liping is the spouse of Mr. Xu and is therefore deemed to be interested in the Shares in which Mr. Xu is interested under the SFO.

B. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the date of this announcement, the interests and short positions of the person (other than the Directors or chief executive of the Company) or company which was required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding in the Company
Prize Investment Limited	Beneficial owner	301,500,000 ordinary shares	Long	50.25%
Merit Winner Limited ("Merit Winner")	Beneficial owner	67,500,000 ordinary shares	Long	11.25%
Mr. Hui Man Kit ("Mr. Hui")	Interest of a controlled corporation *(Note 1)*	67,500,000 ordinary shares	Long	11.25%

Name	Capacity	Number and class of securities	Long/short position	Approximate percentage of shareholding in the Company
Ms. Hui Mei Nga	Interest of spouse (Note 2)	67,500,000 ordinary shares	Long	11.25%
Sun Kong Investments (BVI) Limited ("Sun Kong")	Beneficial owner	54,000,000 ordinary shares	Long	9.00%
Mr. Wong Hing Nam ("Mr. Wong")	Interest of a controlled corporation (Note 3)	54,000,000 ordinary shares	Long	9.00%
Ms. Chan Lai Yin	Interest of spouse (Note 4)	54,000,000 ordinary shares	Long	9.00%

Notes:

1. The entire issued share capital of Merit Winner was held by Mr. Hui. Accordingly, Mr. Hui is deemed to be interested in the Shares held by Merit Winner under the SFO.

2. Ms. Hui Mei Nga is the spouse of Mr. Hui and is therefore deemed to be interested in the Shares in which Mr. Hui is interested under the SFO.

3. The entire issued share capital of Sun Kong was held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the Shares held by Sun Kong under the SFO.

4. Ms. Chan Lai Yin is the spouse of Mr. Wong and is therefore deemed to be interested in the Shares in which Mr. Wong is interested under the SFO.

Save as disclosed above, as at the date of this announcement and so far as is known to the Directors, no person, other than the Directors and chief executive of the Company whose interests are set out in the section "A. Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had notified the Company of an interest or short position in the Shares or underlying shares and/or the debentures of the Company that was required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Competing and Conflicts Of Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 June 2020.

Interests of Compliance Adviser

As notified by the compliance adviser of the Company, Grand Moore Capital Limited ("Grand Moore"), as at 30 June 2020, save for the compliance adviser agreement dated 12 June 2019 entered into between the Company and Grand Moore, neither Grand Moore, its directors, employees and close associates (as defined under the GEM Listing Rules) had any interests in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

Purchase, Sales or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Corporate Governance Code

Ms. Xu Liping is the chief executive officer of the Group, while Mr. Xu is the chairman. The roles of the chairman and chief executive are separated and performed by different individuals.

As at 30 June 2020, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2020.

Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: RMB22,900,000).

Audit Committee

The Company established an audit committee ("Audit Committee") with its written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are mainly (i) to review and supervise the financial reporting process and to oversee the audit process of our Group; (ii) to oversee internal control procedures and corporate governance of our Group; (iii) to supervise internal control systems of our Group; and (iv) and to monitor any continuing connected transactions. The Audit Committee consists of three members, namely Mr. Li Danny Fui Lung, Mr. Liu Dajin and Mr. Deng Zhihuang, all being independent non-executive Directors of the Company. Mr. Li Danny Fui Lung currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

By order of the Board
Yik Wo International Holdings Limited
Xu Youjiang
Chairman and Executive Director

Hong Kong, 14 August 2020

As at the date of this announcement, the executive Directors are Mr. Xu Youjiang, Ms. Xu Liping and Mr. Zhang Yuansheng, and the independent non-executive Directors are Mr. Li Danny Fui Lung, Mr. Liu Dajin, and Mr. Deng Zhihuang.