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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Yik Wo International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" 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.

FINANCIAL HIGHLIGHTS

During the year ended 31 December 2020:

- the Group recorded revenue of approximately RMB233.2 million compared to approximately RMB212.8 million for the year ended 31 December 2019, representing an increase of approximately 9.6%;

- the Group recorded a profit before income tax to approximately RMB32.5 million compared to approximately RMB29.2 million for the year ended 31 December 2019, representing an increase of approximately 11.3%; and

- the Group recorded profit attributable to the owners of the Company of approximately RMB20.8 million compared to approximately RMB20.5 million for the year ended 31 December 2019, representing an increase of approximately 1.2%.

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020, together with the comparative figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	3	**233,181**	212,795
Cost of sales		**(164,015)**	(152,375)
Gross profit		**69,166**	60,420
Other income	4	**143**	59
Selling expenses		**(11,543)**	(11,019)
Administrative expenses		**(15,011)**	(15,252)
Listing expenses		**(9,997)**	(4,790)
Finance costs	5	**(212)**	(226)
Profit before income tax	6	**32,546**	29,192
Income tax expense	7	**(11,786)**	(8,427)
Profit for the year		**20,760**	20,765
Other comprehensive income/(expenses), net of tax:			
Item that will be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation recognised		**484**	(96)
Total comprehensive income for the year		**21,244**	20,669
Profit for the year attributable to:			
Equity holders of the Company		**20,760**	20,501
Non-controlling interests		**—**	264
		20,760	20,765
Total comprehensive income for the year attributable to :			
Equity holders of the Company		**21,244**	20,405
Non-controlling interests		**—**	264
		21,244	20,669
Earnings per share attributable to equity holders of the Company			
Basic and diluted (RMB cents)	9	**3.99**	4.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	NOTES	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**45,596**	28,077
Intangible assets		**4,500**	6,500
		50,096	34,577
Current assets			
Inventories		**7,327**	6,390
Trade and other receivables	*10*	**33,870**	38,370
Amount due from the ultimate holding company		**—**	1
Amount due from a shareholder		**—**	6,018
Cash and cash equivalents		**72,396**	26,171
		113,593	76,950
Current liabilities			
Trade and other payables	*11*	**26,688**	26,109
Income tax payable		**2,564**	2,267
Lease liabilities	*12*	**944**	595
		30,196	28,971
Net current assets		**83,397**	47,979
Total assets less current liabilities		**133,493**	82,556
Non-current liabilities			
Lease liabilities	*12*	**3,415**	3,703
Net assets		**130,078**	78,853
CAPITAL AND RESERVES			
Share capital	*13*	**5,418**	1
Reserves		**124,660**	78,852
Total equity		**130,078**	78,853

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share Capital	**Share Premium**	**Statutory Reserve**	**Translation Reserve**	**Retained Profits**	**Total**	**Non-Controlling Interest**	**Total Equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 13)							
As at 1 January 2019	20,001	—	7,812	—	49,217	77,030	4,054	81,084
Profit for the year	—	—	—	—	20,501	20,501	264	20,765
Other comprehensive income								
– Exchange differences on translation of foreign operation recognised	—	—	—	(96)	—	(96)	—	(96)
Total comprehensive income for the year	—	—	—	(96)	20,501	20,405	264	20,669
Transaction with owner								
Transfer to statutory reserve	—	—	2,017	—	(2,017)	—	—	—
Dividend declared (note 8)	—	—	—	—	(21,755)	(21,755)	(1,145)	(22,900)
Issue of share capital (note (i) and (ii))	—*	20,000	—	—	—	20,000	—	20,000
Acquisition of Hengsheng Animation	(20,000)	—	—	—	3,173	(16,827)	(3,173)	(20,000)
As at 31 December 2019	1	20,000	9,829	(96)	49,119	78,853	—	78,853

* Represented amount of less than RMB1,000.

	Attributable to equity holders of the Company							
	Share Capital	Share Premium	Statutory Reserve	Translation Reserve	Retained Profits	Total	Non-Controlling Interest	Total Equity
	RMB'000 (Note 13)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	**1**	**20,000**	**9,829**	**(96)**	**49,119**	**78,853**	**—**	**78,853**
Profit for the year	—	—	—	—	20,760	20,760	—	20,760
Other comprehensive income								
– Exchange differences on translation of foreign operation recognised	—	—	—	484	—	484	—	484
Total comprehensive income for the year	—	—	—	484	20,760	21,244	—	21,244
Transaction with owner								
Transfer to statutory reserve	—	—	3,247	—	(3,247)	—	—	—
Dividend declared (note 8)	—	—	—	—	(7,522)	(7,522)	—	(7,522)
Issuance of ordinary shares pursuant to Capitalisation Issue (note iii)	4,063	(4,063)	—	—	—	—	—	—
Issuance of ordinary shares pursuant to Share Offer (note iv)	1,354	36,149	—	—	—	37,503	—	37,503
As at 31 December 2020	**5,418**	**52,086**	**13,076**	**388**	**59,110**	**130,078**	**—**	**130,078**

Notes:

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

(ii) On 23 April 2019 and 7 May 2019, the Company entered an 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 (equivalent to RMB6,667,000) respectively ("Pre-IPO Investment").

(iii) Pursuant to the written resolutions of the shareholders passed on 19 June 2020, the authorised share capital of the Company increased to HK$50,000,000 (equivalent to RMB45,147,000) divided into 5,000,000,000 ordinary shares of HK$0.01 each by creation of an additional 4,962,000,000 shares. 449,990,000 ordinary shares of HK$0.01 each were allotted and issued (equivalent to RMB4,063,000), credited as fully paid at par, by way of capitalisation from the share premium of the Company ("Capitalisation Issue").

(iv) On 13 July 2020, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.4 per share in respect of the Company's initial public offering ("Share Offer"). The proceeds of HK$1,500,000 (equivalent to RMB1,354,000) representing the par value of these ordinary shares, were credited to the Company's share capital account. The remaining proceeds less the listing cost directly attributable to the issue of shares amounted to HK$39,638,000 (equivalent to RMB36,149,000) were credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Yik Wo International Holdings Limited (the "Company", together with its subsidiaries, the "Group") was incorporated as an exempted company in the Cayman Islands on 13 December 2018 with limited liability. The addresses of the Company's registered office and principal place of business are PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Wukeng Industrial Zone, Longhu Town, Jinjiang City, Fujian Province, People's Republic of China (the "PRC"), respectively. The Company was formerly known as Yihe International Holdings Limited and changed to its current name on 15 February 2019.

The Company is an investment holding company and its subsidiaries are principally engaged in the design and development, manufacturing and sales of disposable plastic food storage containers in the PRC.

The Company's immediate and ultimate holding company is Prize Investment Limited ("Prize Investment"), a company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling party of the Group is Mr. Xu Youjiang ("Mr. Xu" or the "Controlling Shareholder").

Since 13 July 2020, the Company's shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (the "GEM of the Stock Exchange").

These consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 31 March 2021.

1.2 Reorganisation and basis of presentation

Pursuant to a reorganisation (the "Reorganisation") of the Company in connection with the listing of its shares ("Listing") on the GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Company and its subsidiaries on 31 May 2019. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Company's prospectus dated 30 June 2020.

Prior to the incorporation of the Company and completion of the Reorganisation on 31 May 2019, the Group's business was carried out by Hengsheng Animation, which was under the common control of the Controlling Shareholder.

Pursuant to the Reorganisation, which was completed by interspersing the Company and other intermediate holding companies between Hengsheng Animation and its shareholders, the Company became the holding company of the companies now comprising the Group on 31 May 2019. The Group is under the control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuity entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's financial statements, if any, are disclosed in below.

The consolidated financial statements have been prepared on the historical cost basis. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands ("RMB'000"), except when otherwise indicated.

2.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
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.

2.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKFRS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020[3]
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]

1 Effective for annual periods beginning on or after 1 June 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after 1 January 2022.

4 Effective for annual periods beginning on or after 1 January 2023.

5 Effective date to be determined.

6 Effective for business combination for which the acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. REVENUE

The Group's principal activities are disclosed in note 1 of this announcement. Revenue of the Group is the revenue derived from these activities.

The Group's product is disposable plastic food storage containers. All the revenue are recognised at a point in time. The Group's contracts with customers usually have original expected duration of one year or less.

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 decision about resources allocation and assess the performance of the component. Accordingly, no segment analysis information is presented.

Disaggregation of revenue from contracts with customers

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

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Brand:		
Products under "JAZZIT" brand	**207,785**	191,518
Non-branded products	**25,396**	21,277
	233,181	212,795
Nature:		
Regular products	**170,097**	168,681
Customised products	**61,271**	42,108
Others	**1,813**	2,006
	233,181	212,795

Regular products represent products with more simplistic design and features suitable for food and beverage storage with one compartment. Customised products are the ones with enhanced design features and higher degree of functionality, which generally allow customers to store various kinds of food and beverage with multi-compartment disposable plastic food storage containers.

Geographical information

Information about the Group's revenue by geographical locations presented based on the area or country in which the external customer is operated is presented as below:

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
PRC (place of domicile)	**229,085**	209,991
Overseas	**4,096**	2,804
	233,181	212,795

The Group's non-current assets are all located in the PRC.

Information about major customers

Other than a customer contributing 12.1% of the Group's revenue for the year ended 31 December 2020 (2019: 12.0%), no other customers contribute over 10% of revenue to the Group during the year ended 31 December 2020 (2019: nil).

4. OTHER INCOME

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Interest income	**143**	59

5. FINANCE COSTS

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Interest expense for lease arrangements	**212**	226

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Depreciation		
– Owned used	**6,391**	5,627
– Held under leases	**786**	663
Amortisation of intangible assets included in administrative and other operating expenses	**2,000**	2,000
Auditors' remuneration	**623**	24
Short-term lease charges in respect of		
– Premises	**38**	74
Cost of inventories recognised as an expense	**143,940**	134,387
Research and development cost (including staff costs)	**5,615**	7,437
Loss on disposals of property, plant and equipment	**23**	154
Listing expenses	**9,997**	4,790
Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	**14,316**	12,410
Contributions to defined contribution retirement plans	**56**	494
	14,372	12,904

7. INCOME TAX EXPENSE

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 year ended 31 December 2020 (2019: nil).

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.

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Current tax		
– Provision for PRC enterprise income tax	**10,950**	7,717
– Withholding tax	**836**	—
– Under-provision in prior year	**—**	710
Income tax expense	**11,786**	8,427

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Profit before income tax	**32,546**	29,192
Tax on profit before income tax, calculated at the rate of 25% (2019: 25%)	**8,137**	7,298
Non-deductible expenses	**2,813**	419
Withholding tax	**836**	—
Under provision in prior year	**—**	710
Income tax expense	**11,786**	8,427

8. DIVIDEND

Prior to the Listing on the GEM of the Stock Exchange, the Group declared dividends to its then equity owners, as follows:

For the year ended 31 December

	2020	2019
	RMB'000	*RMB'000*
Dividend	**7,522**	22,900

The rate of dividends and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this announcement.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

For the year ended 31 December

	2020	2019
Earnings		
Profit for the year attributable to equity holders of the Company (RMB'000)	**20,760**	20,501
Weighted average number of ordinary shares (in thousand)	**520,274**	450,000

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2020 includes (i) the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 13(iii)), as if all these shares had been in issue throughout the year ended 31 December 2020, and (ii) the weighted average of 150,000,000 new ordinary shares issued pursuant to the Share Offer (note 13(iv)).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2019 representing the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 13(iii)), as if all these shares had been in issue throughout the year ended 31 December 2019.

The diluted earnings per share equal to basic earnings per share as there was no potential ordinary share in issue as at 31 December 2019 and 2020.

10. TRADE AND OTHER RECEIVABLES

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Trade receivables		
– from third parties	**33,105**	35,442
Prepayments	**765**	2,928
	33,870	38,370

The directors consider that the fair values of all of the trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts due to these balances having short maturity periods on their inception.

Trade receivables

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 senior management. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date and net of ECL allowance, is as follows:

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**16,719**	19,229
31-60 days	**16,386**	16,213
	33,105	35,442

Trade receivables are mainly 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 31 December 2020, trade receivables of RMB3,235,000 were past due (2019: nil) and were subsequently settled. During the year ended 31 December 2020, no written off was made against the trade receivables (2019: nil).

Generally, the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. As at 31 December 2020, there has not been any significant change in the gross amounts of trade receivables that has affected the estimation of the loss allowance during the year (2019: nil).

11. TRADE AND OTHER PAYABLES

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Trade payables		
– To third parties	**24,242**	22,541
Accrued charges and other payables		
– Other tax payable	**366**	436
– Salaries payables	**1,489**	1,060
– Accrued listing expenses	**—**	676
– Other payables and accruals	**591**	1,396
	2,446	3,568
	26,688	26,109

Trade Payables

The Group is granted by its suppliers credit periods ranging from 30 to 60 days. An aged analysis of the trade payables, based on the invoice date, is as follows:

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Within 30 days	**14,860**	12,963
31 days to 90 days	**9,382**	9,578
	24,242	22,541

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.

12. LEASE LIABILITIES

Lease liabilities are presented in the consolidated statement of financial position as follows:

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Current:		
Third parties	**457**	198
Jinjiang Hengsheng Toys Co., Ltd ("Hengsheng Toys") (Note)	**487**	397
Non-current:		
Third parties	**1,120**	1,066
Hengsheng Toys	**2,295**	2,637
	4,359	4,298

The Group has leases for an office and factory premises.

Each lease generally imposes a restriction that the right-of-use asset can only be used by the Group. Leases are only be cancelled with mutually agreement between the Group and lessor. There is no variable lease payment, extension options and termination option among the lease contracts.

The following table shows the future minimum lease payments:

As at 31 December

	2020	2019
	RMB'000	*RMB'000*
Within one year	**1,139**	793
One to five years	**3,498**	3,415
After five years	**361**	891
	4,998	5,099
Finance charges	**(639)**	(801)
	4,359	4,298

	2020	2019
	RMB'000	*RMB'000*
Present value of minimum lease payments:		
Due within one year	**944**	595
Due in second to fifth years	**3,068**	2,864
Due after the fifth years	**347**	839
	4,359	4,298
Less: Portion due within one year included under current liabilities	**(944)**	(595)
Portion due after one year included under non-current liabilities	**3,415**	3,703

On 21 June 2020, lease period of certain lease agreements with 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.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised as property, plant and equipment on consolidated statement of financial position:

2020

Right-of-use asset	**No. of lease**	**Range of remaining lease term Year**	**Average remaining lease term Year**
Buildings	**12**	**3-8**	**5-6**

2019

Right-of-use asset	No. of lease	Range of remaining lease term Year	Average remaining lease term Year
Buildings	9	4-9	7-8

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less). For the year ended 31 December 2020, the expenses incurred for short term lease not included in the measurement of lease liability is RMB38,000 (2019: RMB74,000).

During the year ended 31 December 2020, the total cash outflows for the leases are RMB971,000 (2019: RMB884,000).

Note: Hengsheng Toys is controlled by Mr. Hui Man Kit. Mr. Hui Man Kit is the brother of Mr. Xu, the controlling shareholder and executive director of the Company. Mr. Xu was a director of Heng Sheng Holding Group Limited, the ultimate holding company of Hengsheng Toys, from July 2015 to March 2019.

13. SHARE CAPITAL

	2020		2019	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Authorised:				
Ordinary share of HK$0.01				
As at 1 January	**38,000,000**	**343**	38,000,000	343
Increased in authorised share capital (note(iii))	**4,962,000,000**	**44,804**	—	—
As at 31 December	**5,000,000,000**	**45,147**	38,000,000	343
Issued and fully paid:				
As at 1 January	**10,000**	**1**	1	1
Issue of shares (note (i))	**—**	**—**	8,199	—*
Issue of shares pursuant to Pre-IPO Investment (note (ii))	**—**	**—**	1,800	—*
Issue of ordinary shares pursuant to the Capitalisation Issue (note (iii))	**449,990,000**	**4,063**	—	—
Issue of ordinary shares pursuant to the Share Offer (note (iv))	**150,000,000**	**1,354**	—	—
As at 31 December	**600,000,000**	**5,418**	10,000	1

* Amount less than RMB1,000.

Notes:

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

(ii) On 23 April 2019 and 7 May 2019, the Company entered an 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 (equivalent to RMB6,667,000) respectively ("Pre-IPO Investment").

(iii) Pursuant to the written resolutions of the shareholders passed on 19 June 2020, the authorised share capital of the Company increased to HK$50,000,000 (equivalent to RMB45,147,000) divided into 5,000,000,000 ordinary shares of HK$0.01 each by creation of an additional 4,962,000,000 shares. 449,990,000 ordinary shares of HK$0.01 each were allotted and issued (equivalent to RMB4,063,000), credited as fully paid at par, by way of capitalisation from the share premium of the Company ("Capitalisation Issue").

(iv) On 13 July 2020, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.4 per share in respect of the Company's initial public offering ("Share Offer"). The proceeds of HK$1,500,000 (equivalent to RMB1,354,000) representing the par value of these ordinary shares, were credited to the Company's share capital account. The remaining proceeds less the listing cost directly attributable to the issue of shares amounted to HK$39,638,000 (equivalent to RMB36,149,000) were credited to the Company's share premium account.

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.

Saved as above, despite the COVID-19 outbreak, the Group's revenue for the year ended 31 December 2020 was approximately RMB233.2 million, representing an increase of approximately 9.6% as compared to the corresponding year ended 31 December 2019. Moreover, the Group recorded a profit attributable to the owners of the Company of approximately RMB20.8 million whilst the profit attributable to owners of the Company last year was approximately RMB20.5 million. As a result, the Director is of the view that it has a direct impact for the growth of its core business in a wave of COVID-19.

Since the beginning of 2020, the outbreak of the COVID-19 has severely and adversely impacted the world's economic activities. At the start of the year, the COVID-19 outbreak was clearly evident in the People's Republic of China (the "**PRC**") and a few Asian markets, such as Japan and Korea. Subsequently, this caused the respective governments to announce different levels of lockdown across the region. Inevitably, lockdowns have hampered the supply chain and local dining restaurants in the food and beverage industry, with market players forced to shut down local dining restaurants temporarily. The global industry is facing challenges from all directions because of the COVID-19 outbreak. The COVID-19 outbreak has led to increased levels of inventories at restaurants, as a consequence of the temporary closures of local dining restaurants. The demand for takeaway related business is increasing at an exponentially rate during the lock down of all cities in PRC. With an effective measures and control over the COVID-19 by the PRC government, the PRC removed the lock down orders from the PRC authorities earlier. After over a year of having takeaway service, the people get used to have a takeaway in order to keep social distancing and other structural changes in social activities such as work-from-home arrangements, limited in-person contact and more exercise to maintain a healthier lifestyle. The shift in consumer behaviour is likely to accelerate the convergence between takeaway business and use of takeaway box, which is favourable for the development of disposable food storage container business.

PROSPECTS

In the long run, the Board is of the view that the Company remains to focus on its core business which is disposable plastic food storage container.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RMB212.8 million for the year ended 31 December 2019 to approximately RMB233.2 million for the year ended 31 December 2020, representing a growth of approximately 9.6%. Such increase was mainly due to the increase in demands for take-away food by the general public since the outbreak of COVID-19.

Cost of Sales

The cost of sales increased from approximately RMB152.4 million for the year ended 31 December 2019 to approximately RMB164.0 million for the year ended 31 December 2020, representing an increase of approximately 7.6%. Such increase was mainly attributable to the increase in the raw materials purchased and staff costs incurred, which was in line with the revenue increase during the year.

Gross Profit

Gross profit of the Group increased by approximately RMB8.8 million from approximately RMB60.4 million for the year ended 31 December 2019 to approximately RMB69.2 million for the year ended 31 December 2020. The overall gross profit margin increased from approximately 28.4% for the year ended 31 December 2019 to approximately 29.7% for the year ended 31 December 2020.

Listing Expenses

During the year ended 31 December 2020, the Group recognised non-recurring Listing expenses of approximately RMB10.0 million (2019: RMB4.8 million), as expenses in connection with the Listing.

Selling Expenses

Selling expenses of the Group increased by approximately RMB0.5 million or 4.5% from approximately RMB11.0 million for the year ended 31 December 2019 to approximately RMB11.5 million for the year ended 31 December 2020. Such increase was mainly due to increase of sales staff costs and transportation during the year.

Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group decreased by approximately RMB0.3 million or 2.0% from approximately RMB15.3 million for the year ended 31 December 2019 to approximately RMB15.0 million for the year ended 31 December 2020.

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

Finance Costs

Finance costs for the Group remain stable of approximately RMB0.2 million for the years ended 31 December 2020 and 2019.

Income Tax Expense

Income tax expense for the Group increased approximately RMB3.4 million or 40.5% from approximately RMB8.4 million for the year ended 31 December 2019 to approximately RMB11.8 million for the year ended 31 December 2020. The increase was mainly attributable to the increase in profit before tax from approximately RMB29.2 million for the year ended 31 December 2019 to approximately RMB32.5 million for the year ended 31 December 2020.

Profit for the year attributable to the owners of the Company

Profit for the year attributable to the owners of the Company increased by approximately RMB0.3 million or 1.5% from approximately RMB20.5 million for the year ended 31 December 2019 to approximately RMB20.8 million for the year ended 31 December 2020.

Such increase was primarily attributable to the net effect of (i) the increase in gross profit for the year ended 31 December 2020; (ii) the increase in the selling expenses incurred by the Group for the year ended 31 December 2020; (iii) the decrease in administrative expenses incurred by the Group for the year ended 31 December 2020; (iv) the increase in listing expenses; and (v) the increase in income tax expense.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio improved steadily from approximately 2.7 times as at 31 December 2019 to 3.8 times as at 31 December 2020.

As at 31 December 2020, the gearing ratio, calculated based on the total borrowings divided by total equity at the end of the year and multiplied by 100%, decreased from approximately 38.6% as at 31 December 2019 to approximately 23.9% as at 31 December 2020 due to the increase in equity of the Group. As such, the directors of the Company (the "**Directors**") are of the view that the Group's financial position is sound and strong. With available bank balances and cash from Listing, the Directors are of the view that the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 July 2020. There has been no change in the capital structure of the Group since the Listing. The share capital of the Group only comprises of ordinary shares.

As at 31 December 2020, the Company's issued share capital was HK$6,000,000 and the number of its issued ordinary shares was 600,000,000 of HK$0.01 each.

SEGMENTAL INFORMATION

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

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. The Group did not use any financial instruments for hedging purpose during the year ended 31 December 2020.

CHARGE ON GROUP'S ASSETS

The Group did not have any charges on its assets during the year ended 31 December 2020 (31 December 2019: Nil).

SIGNIFICANT INVESTMENTS HELD

There was no significant investment held by the Group during the year ended 31 December 2020 (2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 150 employees (2019: 125 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB14.4 million for the year ended 31 December 2020 (2019: approximately RMB12.9 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of the individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees that contributed to the Group. Apart from basic remuneration, share options may be granted to eligible employees with reference to the Group's performance as well as individual contribution.

USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As the actual amount of the listing expenses was lower than estimated amount of the listing expenses set out in the prospectus of the Company dated 30 June 2020 (the "**Prospectus**"), the actual net proceeds from the share offer (as defined in the Prospectus) of approximately RMB22.8 million as stated in the allotment result announcement dated 10 July 2020 (after deduction of the underwriting commission and listing-related expenses), was less than the estimated net proceeds of approximately RMB32.8 million as set out in the Prospectus. The table below sets forth the information in relation to the use of proceeds from the share offer.

Use of net proceeds	Planned use of total net proceeds (RMB million)	Approximate percentage of total net proceeds %	Actual use of net proceeds up to 31 December 2020 (RMB million)	Unused total net proceeds up to 31 December 2020 (RMB million)	Expected timeline for utilisation of unused net proceeds as at 31 December 2020
To expand production capacity and enhance production efficiency (Note 1)	18.1	79.3%	17.0	1.1	Before end of year 2021
To set up a second production facility (Note 2)	1.9	8.2%	1.1	0.8	Before end of year 2021
To strengthen research and development capabilities	2.5	11.0%	2.43	0.7	Before end of year 2021
To expand Group's sales and marketing team	0.3	1.5%	0.04	0.26	Before end of year 2021
Total	22.8	100%	20.57	2.23	

Notes:

1. The Group utilised the net proceeds for the acquisition of new machines for expanding production capacity of approximately RMB17.0 million.

2. The Group commenced the rental arrangement of new plant and warehouse of approximately RMB0.8 million and the respective renovation of approximately RMB0.3 million.

3. The Group commenced to hire research and development team as of approximately RMB0.03 million and acquired mould tools for research and development use of approximately RMB2.4 million.

4. The Group commenced to expand its sales and marketing team of approximately RMB0.04 million.

OTHER INFORMATION

Corporate Governance Practices

Since the Listing, the Board has recognised that the transparency and accountability is important to a listed company. Therefore, the Company is committed to establishing and maintaining good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Save as disclosed above, the Board is pleased to report that the Group has complied with all applicable code provisions of the CG Code during the year ended 31 December 2020.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors in terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the year ended 31 December 2020.

Interests of Compliance Adviser

As notified by the compliance adviser of the Company, Grand Moore Capital Limited ("Grand Moore"), as at 31 December 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.

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders (namely Mr. Xu Youjiang, Prize Investment Limited ("**Prize Investment**") has made an annual declaration to the Company that for the year 31 December 2020, it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Competition Undertakings are set out in the section headed "Relationship with the Controlling Shareholders" in the Prospectus. The independent non-executive Directors (the "INEDs") have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Competition Undertakings (as defined in the Prospectus) and reasonably concluded that there is no breach of any of the undertakings in the Non-Competition Undertakings.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 December 2020.

Dividend

Save for the dividends as set out in note 8, the Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

Annual General Meeting and Closure of Register Of Members

The annual general meeting is scheduled on 31 May 2021, Monday. In order to determine entitlements to attend and vote at the annual general meeting, the register of members of the Company will be closed from 26 May 2021, Wednesday to 31 May 2021, Monday, both days inclusive, during which no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 May 2021.

Audit Committee

The Company established an audit committee ("**Audit Committee**") with its written terms of reference in compliance with the GEM Listing Rule in accordance with the 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 to make recommendations to the Board on the appointment, reappointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to monitor the integrity of the Company's annual report and interim financial reports before submission to the Board. The Audit Committee consists of three members, namely Mr. Li Danny Fui Lung, Mr. Liu Dajin and Mr. Deng Zhihuang, all being INEDs of the Company. Mr. Li Danny Fui Lung currently serves as the chairman of the Audit Committee.

Review of Annual Results

The audit committee of the Company has reviewed the annual results for the year ended 31 December 2020 before the results were submitted to the Board for approval.

The figures in respect of the results announcement of the Group for the year ended 31 December 2020 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the announcement.

Events after the Reporting Period

There are no subsequent events after 31 December 2020 which may have a significant effect on the assets and liabilities or future operation of the Group.

Appreciation

On behalf of the Board, I would like to extend our sincere thanks to our shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staffs for their hard work and dedication throughout the year.

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

Hong Kong, 31 March 2021

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.