

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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2021

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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 that 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 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.

FIRST QUARTERLY UNAUDITED 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 three months ended 31 March 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

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

FOR THE THREE MONTHS ENDED 31 MARCH 2021

		Three months ended	
		31 March	
		2021	2020
	Notes	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	51,922	44,259
Cost of sales		<u>(37,231)</u>	<u>(32,386)</u>
Gross profit		14,691	11,873
Other income		81	23
Selling expenses		(2,644)	(2,199)
Administrative and other operating expense		<u>(3,298)</u>	<u>(4,031)</u>
Profit from operations		8,830	5,666
Finance costs		<u>(89)</u>	<u>(52)</u>
Profit before income tax	4	8,741	5,614
Income tax expense	5	<u>(2,332)</u>	<u>(1,567)</u>
Profit for the period		6,409	4,047

		Three months ended	
		31 March	
		2021	2020
		RMB'000	RMB'000
		(unaudited)	(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		326	(1)
Total comprehensive income for the period		6,735	4,046
Profit for the period attributable to:			
Equity holders of the Company		6,409	4,047
Non-controlling interests		—	—
		6,409	4,047
Total comprehensive income for the period			
attributable to:			
Equity holders of the Company		6,735	4,046
Non-controlling interests		—	—
		6,735	4,046
Earnings per share attributable to			
equity holders of the Company			
– Basic and diluted (RMB cents)	7	1.2	0.90

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2021

	Attributable to equity holders of the Company						Non-	Total
	Share capital RMB'000	Share premium* RMB'000	Statutory reserve* RMB'000	Translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	controlling interest RMB'000	
At 1 January 2020	1	20,000	9,829	(96)	49,119	78,853	—	78,853
Profit for the period	—	—	—	—	4,047	4,047	—	4,047
Other comprehensive income								
– Exchange differences on translation of foreign operation recognised	—	—	—	(1)	—	(1)	—	(1)
Total comprehensive income for the period	—	—	—	(1)	4,047	4,046	—	4,046
As at 31 March 2020	<u>1</u>	<u>20,000</u>	<u>9,829</u>	<u>(97)</u>	<u>53,166</u>	<u>82,899</u>	<u>—</u>	<u>82,899</u>
As at 1 January 2021	5,418	52,086	13,076	388	59,110	130,078	—	130,078
Profit and total comprehensive income for the period	—	—	—	—	6,409	6,409	—	6,409
Other comprehensive income								
– Exchange difference on translation of foreign operation recognised	—	—	—	326	—	326	—	326
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>326</u>	<u>6,409</u>	<u>6,735</u>	<u>—</u>	<u>6,735</u>
As at 31 March 2021	<u>5,418</u>	<u>52,086</u>	<u>13,076</u>	<u>714</u>	<u>65,519</u>	<u>136,813</u>	<u>—</u>	<u>136,813</u>

* Represented amount of less than RMB1,000.

* The reserves accounts comprise the Group's reserve of RMB136,813,000 in the condensed consolidated statement of financial position as at 31 March 2021 (as at 31 March 2020: RMB82,899,000).

* 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2021

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 (“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 Group is 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”).

The unaudited condensed consolidated financial statements (the “Quarterly Financial Statements”) are presented in Renminbi (“RMB”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (RMB’000), unless otherwise stated.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Quarterly Financial Statements for the three months ended 31 March 2021 has been prepared in accordance with the applicable disclosure requirements of the GEM Listing Rules and the accounting principles generally accepted in Hong Kong which include the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). Except for the application of new and revised HKFRSs issued by the HKICPA, which are effective for the annual periods beginning on or after 1 January 2021, the principal accounting policies used in the Quarterly Financial Statements for the three-month period ended 31 March 2021 are consistent with those adopted in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

In the current period, the Group has applied all new and revised HKFRSs issued by the HKICPA that are effective for the Group's financial year beginning on or after 1 January 2021. The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported and/or the disclosures set out in the Quarterly Financial Statements.

The Quarterly Financial Statements for the three-month period ended 31 March 2021 have not been audited by the Group's auditors but have been reviewed by the Company's audit committee.

3. REVENUE

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

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Brand:		
Products under "JAZZIT" brand	46,186	39,262
Non-branded products	5,736	4,997
	51,922	44,259
Nature:		
Regular products	39,752	35,211
Customised products	11,321	8,227
Others	849	821
	51,922	44,259

4. PROFIT BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation		
– Owned used	2,131	1,512
– Held under leases	166	166
Amortisation of intangible assets included in administrative and other operating expenses	500	500
Short-term lease charges in respect of – Premises	19	19
Cost of inventories recognised as an expense	31,603	28,794
Research and development cost (including staff costs)	1,436	1,352
Listing expenses	—	434
Staff costs (including Directors' emoluments)		
– Salaries, allowances and other benefits	2,930	2,712
– Contributions to defined contribution retirement plans	45	40

5. 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 three months ended 31 March 2021 and 2020.

The provision for PRC enterprise income tax has been provided at the applicable tax rate of 25% (2020: 25%) on the assessable profits of the PRC subsidiaries.

	Three months ended	
	31 March	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
– Provision for PRC enterprise income tax	2,332	1,567
– Underprovision in prior year	—	—
	2,332	1,567

6. DIVIDEND

The Directors do not recommend the payment of a dividend for the three months ended 31 March 2021 (2020: Nil).

7. EARNINGS PER SHARE

The basic 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 Prospectus had been effective on 1 January 2019.

	Three months ended	
	31 March	
	2021	2020
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to equity holder of the Company	<u>6,409</u>	<u>4,047</u>
Number of shares:		
Number of ordinary shares (in thousands)	<u>520,274</u>	<u>450,000</u>

The weighted average number of ordinary shares used to calculate the basic earnings per share for the three months ended 31 March 2021 includes (i) the number of ordinary shares of the Company immediately after the Capitalisation Issue, as if all these shares had been in issue throughout the three months ended 31 March 2021, and (ii) the weighted average of 150,000,000 new ordinary shares issued pursuant to the Share Offer.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the three months ended 31 March 2020 represents the number of ordinary shares of the Company immediately after the Capitalisation Issue, as if all these shares had been in issue throughout the three months ended 31 March 2020.

The diluted earnings per share equal to basic earnings per share as there was no potential ordinary share in issue for the three months ended 31 March 2020 and 2021.

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, including the 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.

The revenue of the Group recorded an increase by approximately 17.2% from approximately RMB44.3 million for the three months ended 31 March 2020 to approximately RMB51.9 million for the three months ended 31 March 2021 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 continue to be the key drivers for 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 RMB44.3 million for the three months ended 31 March 2020 to approximately RMB51.9 million for the three months ended 31 March 2021, representing an increase of approximately RMB7.6 million or approximately 17.2%. Such increase was mainly due to the increase in production capacity in line with increased orders.

Cost of sales

The cost of sales increased from approximately RMB32.4 million for the three months ended 31 March 2020 to approximately RMB37.2 million for the three months ended 31 March 2021, representing an increase of approximately RMB4.8 million or approximately 14.8%. Such increase was mainly attributable to the increase in expenses, such as salary and raw material purchased and depreciation, incurred during the period.

Gross Profit

Gross profit of the Group increased by approximately RMB2.8 million or approximately 23.5% from approximately RMB11.9 million for the three months ended 31 March 2020 to approximately RMB14.7 million for the three months ended 31 March 2021. The increase was mainly driven by the increase in gross profit margin for the three months ended 31 March 2021. The overall gross profit margin increased from approximately 26.8% for the three months ended 31 March 2020 to approximately 28.3% for the three months ended 31 March 2021 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 RMB0.7 million or approximately 17.5% from approximately RMB4.0 million for the three months ended 31 March 2020 to approximately RMB3.3 million for the three months ended 31 March 2021.

Administrative and other operating expenses primarily consist of staff costs, amortisation expense in intangible assets, travelling and accommodation expenses, utilisation expenses, entertainment, depreciation, transportation and motor vehicle expenses, research and development expenses 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 a drop in professional service fees following the Listing.

Listing Expenses

During the three months ended 31 March 2021 and 2020, the Group recognised non-recurring listing expenses of nil and approximately RMB0.4 million respectively in connection with the Listing.

Finance Costs

Finance costs for the Group increased by approximately RMB37,000 or approximately 71.2% from approximately RMB52,000 for the three months ended 31 March 2020 to approximately RMB89,000 for the three months ended 31 March 2021. 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 RMB0.7 million or approximately 43.8% from approximately RMB1.6 million for the three months ended 31 March 2020 to approximately RMB2.3 million for the three months ended 31 March 2021. Apart from the decrease in non-tax deductible listing expenses incurred by the Company, the increase in taxation was mainly attributable to the increase in profit before taxation from approximately RMB5.6 million for the three months ended 31 March 2020 to approximately RMB8.7 million for the three months ended 31 March 2021.

Profit for the Period

Profit for the period increased by approximately RMB2.4 million or approximately 60.0% from approximately RMB4.0 million for the three months ended 31 March 2020 to approximately RMB6.4 million for the three months ended 31 March 2021. This was primarily attributable to the increase in gross profit, and decrease in administrative and other operating expenses, which were partially offset by the increase in selling expenses and income tax expense.

Listing on GEM

The Shares were listed on GEM of the Stock Exchange on 13 July 2020 with a total of 150,000,000 Shares issued at HK\$0.4 each by way of share offer and placing, raising net proceeds of HK\$22.8 million (approximately RMB20.4 million) after deducting underwriting commissions and all related expenses.

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 in the Shares, underlying Shares and debentures of the 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 <i>(Note 1)</i>	67,500,000 ordinary shares	Long	11.25%
Ms. Hui Mei Nga	Interest of spouse <i>(Note 2)</i>	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 <i>(Note 3)</i>	54,000,000 ordinary shares	Long	9.00%
Ms. Chan Lai Yin	Interest of spouse <i>(Note 4)</i>	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 and substantial shareholders of the Company and other persons whose interests are set out in the section “A. Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” and “B. Substantial Shareholders’ and Other Persons’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had notified the Company of an interest or short positions 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 shareholders 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 three months ended 31 March 2021.

Interests of Compliance Adviser

As notified by the compliance adviser of the Company, Grand Moore Capital Limited (“Grand Moore”), as at 31 March 2021, 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 three months ended 31 March 2021.

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 officer are separated and performed by different individuals.

During the three months ended 31 March 2021, 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 three months ended 31 March 2021.

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 the Group; (ii) to oversee internal control procedures and corporate governance of the Group; (iii) to supervise internal control systems of the Group; and (iv) 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 three months ended 31 March 2021 before the results were submitted to the Board for approval.

By order of the Board

Yik Wo International Holdings Limited

Xu Youjiang

Chairman and Executive Director

Hong Kong, 14 May 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.