

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 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

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 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 AND SIX MONTHS ENDED 30 JUNE 2021

		Three months ended		Six months ended	
		30 June		30 June	
	Notes	2021	2020	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5	67,596	61,830	119,518	106,089
Cost of sales		(47,916)	(42,428)	(85,147)	(74,814)
Gross profit		19,680	19,402	34,371	31,275
Other income	6	41	27	122	50
Selling expenses		(3,408)	(3,015)	(6,052)	(5,214)
Administrative and other operating expenses		(3,912)	(7,291)	(7,210)	(11,322)
Profit from operations		12,401	9,123	21,231	14,789
Finance costs	7	(14)	(50)	(103)	(102)
Profit before income tax	8	12,387	9,073	21,128	14,687
Income tax expense	9	(3,188)	(3,231)	(5,520)	(4,798)
Profit for the period		9,199	5,842	15,608	9,889

		Three months ended		Six months ended	
		30 June		30 June	
<i>Notes</i>		2021	2020	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive					
(expenses)/income, net of tax:					
Items that may be reclassified					
subsequently to profit or loss					
Exchange differences on					
translation of foreign operation					
recognised					
		<u>(318)</u>	<u>9</u>	<u>8</u>	<u>8</u>
Total comprehensive income					
for the period attributable to					
equity holders of the Company					
		<u>8,881</u>	<u>5,851</u>	<u>15,616</u>	<u>9,897</u>
Earnings per share attributable					
to equity holders of					
the Company					
Basic and diluted (RMB cents)	<i>11</i>	<u>1.53</u>	<u>1.30</u>	<u>2.60</u>	<u>2.20</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		30 June 2021 <i>RMB'000</i> (unaudited)	31 December 2020 <i>RMB'000</i> (audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	44,335	45,596
Intangible assets	14	3,500	4,500
		<u>47,835</u>	<u>50,096</u>
Current assets			
Inventories	15	6,886	7,327
Trade and other receivables	16	40,561	33,870
Cash and cash equivalents	17	85,027	72,396
		<u>132,474</u>	<u>113,593</u>
Current liabilities			
Trade and other payables	18	27,337	26,688
Income tax payable		3,109	2,564
Lease liabilities	13	967	944
		<u>31,413</u>	<u>30,196</u>
Net current assets		<u>101,061</u>	<u>83,397</u>
Total assets less current liabilities		<u><u>148,896</u></u>	<u><u>133,493</u></u>

		30 June	31 December
	<i>Notes</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
Non-current liabilities			
Lease liabilities	<i>13</i>	<u>3,202</u>	<u>3,415</u>
Net assets		<u>145,694</u>	<u>130,078</u>
EQUITY			
Share capital	<i>19</i>	5,418	5,418
Reserves		<u>140,276</u>	<u>124,660</u>
Total equity		<u>145,694</u>	<u>130,078</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Attributable to equity holders of the Company					Total
	Share capital	Share premium*	Statutory reserve*	Translation reserve*	Retained profits*	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 January 2020 (audited)	1	20,000	9,829	(96)	49,119	78,853
Profit for the period	—	—	—	—	9,889	9,889
Other comprehensive income:						
– Exchange differences on translation of foreign operation recognised	—	—	—	8	—	8
Total comprehensive income for the period	—	—	—	8	9,889	9,897
As at 30 June 2020 (unaudited)	<u>1</u>	<u>20,000</u>	<u>9,829</u>	<u>(88)</u>	<u>59,008</u>	<u>88,750</u>
As at 1 January 2021 (audited)	5,418	52,086	13,076	388	59,110	130,078
Profit for the period	—	—	—	—	15,608	15,608
Other comprehensive income:						
– Exchange differences on translation of foreign operation recognised	—	—	—	8	—	8
Total comprehensive income for the period	—	—	—	8	15,608	15,616
As at 30 June 2021 (unaudited)	<u>5,418</u>	<u>52,086</u>	<u>13,076</u>	<u>396</u>	<u>74,718</u>	<u>145,694</u>

* The reserves accounts comprise the Group's reserves of RMB140,276,000 in the condensed consolidated statement of financial position as at 30 June 2021 (as at 31 December 2020: RMB124,660,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended	
	30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<i>Net cash generated from operating activities</i>	16,509	15,993
Cash flows used in investing activities		
Interest received	122	50
Purchase of property, plant and equipment	(3,796)	(3,657)
Proceeds from disposal of property, plant and equipment	81	—
<i>Net cash used in investing activities</i>	(3,593)	(3,607)
Cash flows used in financing activities		
Payment of lease liabilities	(293)	—
<i>Net cash used in financing activities</i>	(293)	—
Net increase in cash and cash equivalents	12,623	12,386
Cash and cash equivalents at the beginning of the period	72,396	26,171
Effect of foreign exchange rate changes	8	8
Cash and cash equivalents at the end of the period	85,027	38,565

NOTES TO THE INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 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”).

2. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited 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 annual report of the Group for the year ended 31 December 2020.

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 11 August 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the accounting policies adopted in the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA effective for the annual period beginning on 1 January 2021.

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 2021 and are relevant to the Group:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
--	--

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. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial information requires management to make accounting judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2020.

5. REVENUE

The Group's principal activities are disclosed in note 1 to the condensed consolidated interim financial statements.

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's derives revenue from sales of products in the following brand and nature:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Brand:				
Products under "JAZZIT" brand	60,540	55,398	106,726	94,660
Non-branded products	7,056	6,432	12,792	11,429
	<u>67,596</u>	<u>61,830</u>	<u>119,518</u>	<u>106,089</u>
Nature:				
Regular products	39,617	34,270	79,369	69,481
Customised products	27,316	26,943	38,637	35,170
Others	663	617	1,512	1,438
	<u>67,596</u>	<u>61,830</u>	<u>119,518</u>	<u>106,089</u>

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:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
PRC (place of domicile)	67,091	61,183	118,587	104,955
Overseas	505	647	931	1,134
	67,596	61,830	119,518	106,089

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

6. OTHER INCOME

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest income	<u>41</u>	<u>27</u>	<u>122</u>	<u>50</u>

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense for lease arrangements	<u>14</u>	<u>50</u>	<u>103</u>	<u>102</u>

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation				
– Owned used	2,193	1,526	4,324	3,038
– Held under leases	330	166	496	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	—	38
Cost of inventories recognised as an expense	41,375	37,333	72,978	66,127
Research and development cost (including staff costs)	1,072	1,515	2,558	2,867
Loss on disposals of property, plant and equipment	154	—	154	—
Listing expenses	—	3,699	—	4,133
Staff costs (including directors' emoluments)				
– Salaries, allowances and other benefits	4,610	3,438	7,540	6,150
– Contributions to defined contribution retirement plans	252	8	297	48
	<u>4,862</u>	<u>3,446</u>	<u>7,837</u>	<u>6,198</u>

9. 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 six months ended 30 June 2021 and 2020.

The provision for the 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 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
Provision for PRC enterprise				
income tax	<u>3,188</u>	<u>3,231</u>	<u>5,520</u>	<u>4,798</u>

10. DIVIDENDS

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

11. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit for the period attributable to equity holders of the Company and the weighted average number of ordinary shares.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Profit for the period attributable to equity holders of the Company for purpose of basic earnings per share (RMB'000)	<u>9,199</u>	<u>5,842</u>	<u>15,608</u>	<u>9,889</u>
Number of shares:				
Number of ordinary shares for the purpose of basic earnings per share (in thousand)	<u>600,000</u>	<u>450,000</u>	<u>600,000</u>	<u>450,000</u>

The diluted earnings per share equal to basic earnings per share. No adjustment has been made to the basic earnings per share amounts presented for the both periods as there was no potential ordinary share in issue.

12. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately RMB3,796,000 (six months ended 30 June 2020: RMB3,657,000) on the acquisition of property, plant and equipment. In addition, the group disposed of certain plant and equipment with an aggregate carrying amount of RMB235,000 (six months ended 30 June 2020: nil) for proceeds of RMB81,000 (six months ended 30 June 2020: nil), resulting in a loss of disposal of RMB154,000 (six months ended 30 June 2020: nil).

13. LEASE LIABILITIES

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

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Current:		
– Third parties	468	457
– Jinjiang Hengsheng Toys Co., Ltd (“Hengsheng Toys”)	499	487
Non-current:		
– Third parties	997	1,120
– Hengsheng Toys	2,205	2,295
	<u>4,169</u>	<u>4,359</u>

As at 30 June 2021 and 31 December 2020, the Group has leases for an office and factory premises. Except for short-term leases, these leases are reflected on the condensed consolidated statement of financial position as property, plant and equipment (note 12) and lease liabilities.

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 and termination option among the lease contracts.

Lease period of certain lease agreements with Hengsheng Toys were 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 following table shows the future minimum lease payments:

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Within one year	1,139	1,139
One to five years	2,784	3,498
After five years	782	361
	<u>4,705</u>	<u>4,998</u>
Finance charges	(536)	(639)
	<u>4,169</u>	<u>4,359</u>
	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Present value of minimum lease payments:		
Due within one year	967	944
Due in second to fifth years	2,451	3,068
Due after the fifth years	751	347
	<u>4,169</u>	<u>4,359</u>
Less: Portion due within one year included under current liabilities	(967)	(944)
Portion due after one year included under non-current liabilities	<u>3,202</u>	<u>3,415</u>

14. INTANGIBLE ASSETS

	Trademark RMB'000
Cost	
As at 1 January 2021 (audited) and 30 June 2021 (unaudited)	9,500
Accumulated amortisation	
As at 1 January 2021 (audited)	5,000
Charge for the period	1,000
As at 30 June 2021 (unaudited)	6,000
Net book amount	
As at 30 June 2021 (unaudited)	3,500
As at 31 December 2020 (audited)	4,500

15. INVENTORIES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Raw materials	5,756	4,228
Finished goods	1,130	3,099
	6,886	7,327

16. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade receivables		
– From third parties	39,661	33,105
Prepayments	900	765
	<u>40,561</u>	<u>33,870</u>

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 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Within 30 days	25,313	16,719
31 days to 60 days	14,348	16,386
	<u>39,661</u>	<u>33,105</u>

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 30 June 2021, all trade receivables were not past due (31 December 2020: RMB3,235,000 were past due and were subsequently settled). During the year ended 31 December 2020 and the period ended 30 June 2021, no written off was made against the trade receivables.

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 and 30 June 2021, 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/period.

17. CASH AND CASH EQUIVALENTS

As at 30 June 2021, bank balances of RMB84,962,000 (31 December 2020: RMB72,304,000) were denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency respectively. Under the PRC's foreign exchange control regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

18. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Trade payables		
– To third parties	22,928	24,242
Accrued charges and other payables		
– Other tax payable	905	366
– Salaries payables	1,360	1,489
– Other payables and accruals	2,144	591
	4,409	2,446
	27,337	26,688

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 30 June 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)
Within 30 days	15,039	14,860
31 days to 90 days	7,889	9,382
	<u>22,928</u>	<u>24,242</u>

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.

19. SHARE CAPITAL

	No. of ordinary shares	<i>RMB'000</i>
Authorised:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>5,000,000,000</u>	<u>45,147</u>
	No. of ordinary shares	<i>RMB'000</i>
Issued and fully paid:		
As at 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>600,000,000</u>	<u>5,418</u>

The ordinary shares of the Company has a par value of HK\$0.01 each.

20. RELATED PARTY TRANSACTIONS

Same as disclosed elsewhere in the condensed consolidated interim financial information, the Group had the following transactions with related parties during the period:

(a) Compensation of key management personnel

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Salaries, allowances and benefits	335	342	665	677
Retirement scheme contributions	7	4	14	11
	<u>342</u>	<u>346</u>	<u>679</u>	<u>688</u>

(b) Transactions with related party

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hengsheng Toys				
– Rental expenses	<u>—</u>	<u>19</u>	<u>—</u>	<u>38</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

The Company and its subsidiaries (collectively, 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”). Mr. Xu, the chairman and executive director of the Company, are 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 2021, 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 of Hong Kong on 13 July 2020 (the “Listing”).

Financial Review

Revenue

The revenue increased from approximately RMB106.1 million for the six months ended 30 June 2020 to approximately RMB119.5 million for the six months ended 30 June 2021, representing an increase of approximately RMB13.4 million or approximately 12.7%. Such increase was mainly due to the increase in demands for our customers' take-away food by the general public due to the outbreak of COVID-19 and the increase in production capacity in line with increased orders.

Cost of sales

The cost of sales increased from approximately RMB74.8 million for the six months ended 30 June 2020 to approximately RMB85.1 million for the six months ended 30 June 2021, representing an increase of approximately RMB10.3 million or approximately 13.8%. Such increase was in line with the increase in revenue and more expenses, such as salary, raw material purchases and depreciation, were incurred during the period.

Gross Profit

Gross profit of the Group increased by approximately RMB3.1 million or approximately 9.9% from approximately RMB31.3 million for the six months ended 30 June 2020 to approximately RMB34.4 million for the six months ended 30 June 2021. The overall gross profit margin slightly decreases from approximately 29.5% for the six months ended 30 June 2020 to approximately 28.8% for the six months ended 30 June 2021 because more depreciation expenses were incurred during the period due to acquisitions of new machines in the second half of last year.

Administrative and other operating Expenses

Administrative and other operating expenses of the Group decreased by approximately RMB4.1 million or approximately 36.3% from approximately RMB11.3 million for the six months ended 30 June 2020 to approximately RMB7.2 million for the six months ended 30 June 2021.

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 2021 and 2020, the Group recognised non-recurring listing expenses of approximately nil and RMB4.1 million respectively in connection with the Listing.

Finance Costs

During the six months ended 30 June 2021, finance costs for the Group was approximately RMB103,000 (30 June 2020: RMB102,000). 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 15.0% from approximately RMB4.8 million for the six months ended 30 June 2020 to approximately RMB5.5 million for the six months ended 30 June 2021. The increase in taxation was mainly attributable to the increase in profit before taxation from approximately RMB14.7 million for the six months ended 30 June 2020 to approximately RMB21.1 million for the six months ended 30 June 2021.

Profit for the Period

Profit for the period increased by approximately RMB5.7 million or approximately 57.8% from approximately RMB9.9 million for the six months ended 30 June 2020 to approximately RMB15.6 million for the six months ended 30 June 2021. 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 RMB83.4 million as at 31 December 2020 to approximately RMB101.1 million as at 30 June 2021 primarily due to (i) the increase in trade and other receivables of approximately RMB6.7 million and (ii) the increase in cash and cash equivalents of approximately RMB12.6 million.

The current ratio improved from approximately 3.8 as at 31 December 2020 to approximately 4.2 as at 30 June 2021.

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 25.8% and 23.8% as at 31 December 2020 and 30 June 2021, respectively.

As at 30 June 2021 and 31 December 2020, all of the Company's cash and cash equivalents were held at RMB currencies. The Group's exposure to foreign currency risks arise from its overseas sales which are primarily denominated in United States Dollars and accruals which are primarily denominated in Hong Kong Dollars. The Company currently does not hedge transactions undertaken in foreign currencies but manages its foreign exchange exposure by limiting its foreign currency exposure which it constantly monitors.

As at 30 June 2021 and 31 December 2020, the Group had no borrowings. As at 30 June 2021, the Group had lease liabilities of approximately RMB4.2 million (31 December 2020: RMB4.4 million), which are to be repaid based on the agreed repayment schedule ranging from 3 to 13 years as set out in the agreements. For details of the lease liabilities, please refer to note 13 to the interim financial report. As at 30 June 2021 and 31 December 2020, all the trade and other payables were current liabilities and repayable on demand.

Share Capital

Details of the movements during the year ended 31 December 2020 and six months ended 30 June 2021 in the Company's share capital are set out in note 19 to the interim financial report.

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 2021, 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 2021, 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 2021 (31 December 2020: Nil).

Charges on Group Assets

As at 30 June 2021, the Group did not have any charges on its assets (31 December 2020: Nil).

Contingent Liabilities

The Group did not have any contingent liabilities as at 30 June 2021 (31 December 2020: 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 2021, the Group employed a total of 156 employees (31 December 2020: 150 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB7.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately RMB6.2 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 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.

Set out below is the actual utilisation of the net proceeds as at 30 June 2021:

		Approximate	Actual use of	Unused total	Expected time line
	Planned use	percentage	Net Proceeds	Net Proceeds	for utilisation
	of total	of total	as at	as at	of unused net
Use of Net Proceeds	Net Proceeds	Net Proceeds	30 June 2021	30 June 2021	proceeds as at
	(RMB million)	%	(RMB million)	(RMB million)	30 June 2021
To expand production capacity and enhance production efficiency ^(Note 1)	18.1	79.3%	18.1	—	N/A
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 ^(Note 3)	2.5	11.0%	2.5	—	N/A
To expand Group's sales and marketing team	0.3	1.5%	0.2	0.1	Before end of year 2021
Total	<u>22.8</u>	<u>100%</u>	<u>21.9</u>	<u>0.9</u>	

Notes:

1. The Group utilised the net proceeds for the acquisition of new machines for expanding production capacity of approximately RMB18.1 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 RMB0.1 million and acquire 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 RMB0.2 million.

The estimated net proceeds raised from the Share Offer was approximately RMB32.8 million as set out in the Prospectus. Set out below are the details of the intended use of proceeds since listing up to 30 June 2021 as per the Prospectus:

- Approximately RMB15.5 million for expanding production capacity and enhance production efficiency;
- Approximately RMB1.4 million for setting up a second production facility;
- Approximately RMB1.9 million for strengthening research and development capabilities; and
- Approximately RMB0.3 million for expanding the Group's sales and marketing team.

The actual net proceeds raised from the Company's initial public offering ("**Share Offer**") was approximately RMB22.8 million, which was lower than the estimated net proceeds as set out in the Prospectus. The Group's actual use of proceeds since listing up to 30 June 2021 was approximately RMB21.9 million. The Group conducted its business in accordance with the business plan and business objectives and even faster than it planned as stated in the Prospectus, which indicated that the Group can expand more rapidly than it planned. Set out below are the details of the actual use of proceeds since listing up to 30 June 2021:

- Approximately RMB18.1 million for expanding production capacity and enhance production efficiency;
- Approximately RMB1.1 million for setting up a second production facility;
- Approximately RMB2.5 million for strengthening research and development capabilities; and
- Approximately RMB0.2 million for expanding the Group's sales and marketing team.

The Group will use the remaining unutilised net proceeds of approximately RMB0.9 million in accordance with its plan as set out in the Prospectus. The Group will from time to time review its business plans in the best interests of the Shareholders.

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:

(i) Long Position in the Company's Shares

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

Notes:

1. Mr. 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 <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.

Same 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” 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 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 2021.

Interests of Compliance Adviser

As notified by the compliance adviser of the Company, Grand Moore Capital Limited (“Grand Moore”), as at 30 June 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 six months ended 30 June 2021.

Corporate Governance Code

Ms. Xu 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.

During the six months ended 30 June 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 six months ended 30 June 2021.

Dividend

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2021 (2020: RMB Nil).

Share Option Scheme

The Company did not have share option scheme as at 30 June 2021.

Important Events After The Reporting Period

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2021 and up to the date of this announcement.

Change in Directors' Information

Mr. Liu Dajin was resigned as an independent non-executive director of Mobile Internet (China) Holdings Limited, a company listed on Main Board of the Stock Exchange (stock code: 1439), with effect from 2 May 2021.

Same as disclosed above, since the date of the annual report of the Company for the year ended 31 December 2020 and up to the date of this announcement, were no substantial changes to the Directors' information required to be disclosed pursuant to GEM Listing Rule 17.50A(1).

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. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang, all being independent non-executive Directors of the Company. Mr. Chung Chi Kit 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 2021.

By order of the Board

Yik Wo International Holdings Limited

Xu Youjiang

Chairman and Executive Director

Hong Kong, 11 August 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. Chung Chi Kit, Mr. Liu Dajin, and Mr. Deng Zhihuang.