

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 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 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.

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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 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 2021:

- the Group recorded revenue of approximately RMB262.6 million compared to approximately RMB233.2 million for the year ended 31 December 2020, representing an increase of approximately 12.6%;
- the Group recorded a profit before income tax to approximately RMB47.9 million compared to approximately RMB32.5 million for the year ended 31 December 2020, representing an increase of approximately 47.1%; and
- the Group recorded profit attributable to the owners of the Company of approximately RMB35.2 million compared to approximately RMB20.8 million for the year ended 31 December 2020, representing an increase of approximately 69.7%.

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 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	<i>NOTES</i>	2021 RMB'000	2020 RMB'000
Revenue	3	262,637	233,181
Costs of sales		<u>(186,689)</u>	<u>(164,015)</u>
Gross profit		75,948	69,166
Other income	4	266	143
Selling expenses		(12,232)	(11,543)
Administrative expenses		(15,919)	(15,011)
Listing expenses		—	(9,997)
Finance costs	5	(195)	(212)
Profit before income tax	6	47,868	32,546
Income tax expense	7	(12,637)	(11,786)
Profit for the year		<u>35,231</u>	<u>20,760</u>
Other comprehensive income, net of tax:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operation recognised		<u>130</u>	<u>484</u>
Total comprehensive income for the year		<u>35,361</u>	<u>21,244</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (RMB cents)	9	<u>5.87</u>	<u>3.99</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	<i>NOTES</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		44,797	45,596
Intangible assets		2,500	4,500
		<u>47,297</u>	<u>50,096</u>
Current assets			
Inventories		7,266	7,327
Trade and other receivables	<i>10</i>	38,552	33,870
Cash and cash equivalents		107,638	72,396
		<u>153,456</u>	<u>113,593</u>
Current liabilities			
Trade and other payables	<i>11</i>	28,349	26,688
Income tax payable		3,539	2,564
Lease liabilities	<i>12</i>	996	944
		<u>32,884</u>	<u>30,196</u>
Net current assets		<u>120,572</u>	<u>83,397</u>
Total assets less current liabilities		<u>167,869</u>	<u>133,493</u>
Non-current liabilities			
Lease liabilities	<i>12</i>	<u>2,430</u>	<u>3,415</u>
Net assets		<u>165,439</u>	<u>130,078</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	5,418	5,418
Reserves		<u>160,021</u>	<u>124,660</u>
Total equity		<u>165,439</u>	<u>130,078</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

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

	Share Capital <i>RMB'000</i> (Note 13)	Share Premium <i>RMB'000</i>	Statutory Reserve <i>RMB'000</i>	Translation Reserve <i>RMB'000</i>	Retained Profits <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2021	5,418	52,086	13,076	388	59,110	130,078
Profit for the year	—	—	—	—	35,231	35,231
Other comprehensive income						
– Exchange differences on translation of foreign operation recognised	—	—	—	130	—	130
Total comprehensive income for the year	—	—	—	130	35,231	35,361
Transaction with owner						
Transfer to statutory reserve	—	—	3,791	—	(3,791)	—
As at 31 December 2021	5,418	52,086	16,867	518	90,550	165,439

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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” or the “Controlling Shareholder”).

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

These consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 31 March 2022.

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 GEM of the 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 Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2021

In the current year, the Group has applied for the first time the following 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 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of the 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 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKFRS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020 ¹
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²

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

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

3 Effective date to be determined.

4 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.

5 Effective for annual periods beginning on or after 1 April 2021.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Brand:		
Products under "JAZZIT" brand	236,945	207,785
Non-branded products	25,692	25,396
	<u>262,637</u>	<u>233,181</u>
Nature:		
Regular products	163,807	170,097
Customised products	96,843	61,271
Others	1,987	1,813
	<u>262,637</u>	<u>233,181</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:

For the year ended 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
PRC (place of domicile)	260,959	229,085
Overseas	<u>1,678</u>	<u>4,096</u>
	<u><u>262,637</u></u>	<u><u>233,181</u></u>

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

Information about major customers

There is no customer contributing over 10% of revenue to the Group during the year ended 31 December 2021 (2020: one customer contributing 12.1%).

4. OTHER INCOME

For the year ended 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	<u>266</u>	<u>143</u>

5. FINANCE COSTS

For the year ended 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest expense for lease arrangements	<u>195</u>	<u>212</u>

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

For the year ended 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation		
– Owned used	8,944	6,391
– Held under leases	993	786
Amortisation of intangible assets included in administrative and other operating expenses	2,000	2,000
Auditors' remuneration	730	623
Short-term lease charges in respect of		
– Premises	—	38
Cost of inventories recognised as an expense	160,411	143,940
Research and development cost (including staff costs)	5,918	5,615
Loss on disposals of property, plant and equipment	155	23
Listing expenses	—	9,997
Staff costs (including directors' emoluments)		
Salaries, allowances and other benefits	16,488	14,316
Contributions to defined contribution retirement plans	608	56
	17,096	14,372

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 2021 (2020: nil).

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.

For the year ended 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
– Provision for PRC enterprise income tax	12,637	10,950
– Withholding tax	<u>—</u>	<u>836</u>
Income tax expense	<u>12,637</u>	<u>11,786</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	<u>47,868</u>	<u>32,546</u>
Tax on profit before income tax, calculated at the rate of 25% (2020: 25%)	11,967	8,137
Non-deductible expenses	670	2,813
Withholding tax	<u>—</u>	<u>836</u>
Income tax expense	<u>12,637</u>	<u>11,786</u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend	<u>—</u>	<u>7,522</u>

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

	2021	2020
Earnings		
Profit for the year attributable to equity holders of the Company (RMB'000)	<u>35,231</u>	<u>20,760</u>
Weighted average number of ordinary shares (in thousand)	<u>600,000</u>	<u>520,274</u>

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(i)), 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(ii)).

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

10. TRADE AND OTHER RECEIVABLES

As at 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– from third parties	38,068	33,105
Prepayments	484	765
	<u>38,552</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 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	26,821	16,719
31-60 days	11,247	16,386
	<u>38,068</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 31 December 2021, trade receivables of RMB971,000 were past due (2020: RMB3,235,000) and were subsequently settled. During the year ended 31 December 2021, no written off was made against the trade receivables (2020: 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 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 (2020: nil).

11. TRADE AND OTHER PAYABLES

As at 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
– To third parties	<u>24,609</u>	<u>24,242</u>
Accrued charges and other payables		
– Other tax payable	1,288	366
– Salaries payables	1,617	1,489
– Other payables and accruals	<u>835</u>	<u>591</u>
	<u>3,740</u>	<u>2,446</u>
	<u><u>28,349</u></u>	<u><u>26,688</u></u>

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

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 30 days	12,389	14,860
31 days to 60 days	12,220	9,382
	<u>24,609</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.

12. LEASE LIABILITIES

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

As at 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current:		
Third parties	479	457
Jinjiang Hengsheng Toys Co., Ltd (“Hengsheng Toys”) (Note)	517	487
Non-current:		
Third parties	641	1,120
Hengsheng Toys	1,789	2,295
	<u>3,426</u>	<u>4,359</u>

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 can only be cancelled with mutual agreement between the Group and lessor. There is no variable lease payment and termination option among the lease contracts.

The following table shows the future minimum lease payments:

As at 31 December

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,145	1,139
One to two years	798	1,139
Two to five years	1,928	2,359
After five years	—	361
	3,871	4,998
Finance charges	(445)	(639)
	3,426	4,359
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Present value of minimum lease payments:		
Due within one year	996	944
Due in first to second years	694	991
Due in second to fifth years	1,736	2,077
Due after the fifth years	—	347
	3,426	4,359
Less: Portion due within one year included under current liabilities	(996)	(944)
Portion due after one year included under non-current liabilities	2,430	3,415

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:

2021

Right-of-use asset	No. of lease	Range of remaining lease term Year	Average remaining lease term Year
Buildings	<u>13</u>	<u>2-7</u>	<u>4-5</u>

2020

Right-of-use asset	No. of lease	Range of remaining lease term Year	Average remaining lease term Year
Buildings	<u>12</u>	<u>3-8</u>	<u>5-6</u>

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 2021, expenses incurred for short term lease not included in the measurement of lease liability is nil (2020: RMB38,000).

During the year ended 31 December 2021, the total cash outflows for the leases are RMB1,161,000 (2020: RMB971,000).

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.

13. SHARE CAPITAL

	2021		2020	
	<i>No. of shares</i>	<i>RMB'000</i>	<i>No. of shares</i>	<i>RMB'000</i>
Authorised:				
Ordinary share of HK\$0.01				
As at 1 January	5,000,000,000	45,147	38,000,000	343
Increased in authorised share capital (note(i))	<u>—</u>	<u>—</u>	<u>4,962,000,000</u>	<u>44,804</u>
As at 31 December	<u>5,000,000,000</u>	<u>45,147</u>	<u>5,000,000,000</u>	<u>45,147</u>
Issued and fully paid:				
As at 1 January	600,000,000	5,418	10,000	1
Issue of ordinary shares pursuant to the Capitalisation Issue (note (i))	<u>—</u>	<u>—</u>	<u>449,990,000</u>	<u>4,063</u>
Issue of ordinary shares pursuant to the Share Offer (note (ii))	<u>—</u>	<u>—</u>	<u>150,000,000</u>	<u>1,354</u>
As at 31 December	<u>600,000,000</u>	<u>5,418</u>	<u>600,000,000</u>	<u>5,418</u>

Notes:

- (i) 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 the 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”).
- (ii) 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

Revenue for the year ended 31 December 2021 was approximately RMB262.6 million, representing an increase of approximately 12.6% as compared to the corresponding year ended 31 December 2020. The Group recorded a profit attributable to the owners of the Company of approximately RMB35.2 million whilst the profit attributable to owners of the Company last year was approximately RMB20.8 million.

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 People's Republic of China (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 year ended 31 December 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.

PROSPECTS

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").

In view of the a rapidly growing trend over the past few years of the film industry and enhancement of regulatory environment and favorable policies in China, the Directors believe that the investment in film projects at this moment will enable it to leverage the opportunities that the pandemic in China has gradually eased and popular entertainment needs will rebound, and seize the opportunity in the emerging film industry. For which, the Group entered into the equity sale and purchase agreements to acquire 100% equity interest of June Pictures & Media Limited with total consideration RMB20,571,430 during the year. The transaction has not been completed at the date of this report. The Directors believe that investment in the target company will bring considerable income to the Group and is a suitable investment, which will also expand the business scope of the Group.

FINANCIAL REVIEW

Revenue

During the year ended 31 December 2021, the Group's total revenue amounted to approximately RMB262.6 million (2020: approximately RMB233.2 million). The Group recognised an increase of total revenue by approximately RMB29.4 million or approximately 12.6% from 2020 to 2021, which was mainly due to the increase in demands for take-away food by the general public since 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 RMB164.0 million for the year ended 31 December 2020 to approximately RMB186.7 million for the year ended 31 December 2021, representing an increase of approximately RMB22.7 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 year.

Gross Profit

Gross profit of the Group increased by approximately RMB6.7 million or approximately 9.8% from approximately RMB69.2 million for the year ended 31 December 2020 to approximately RMB75.9 million for the year ended 31 December 2021. The overall gross profit margin slightly decreases from approximately 29.7% for the year ended 31 December 2020 to approximately 28.9% for the year ended 31 December 2021 because more depreciation expenses were incurred during the year due to acquisitions of new machines in the second half of last year.

Selling Expenses

Selling and distribution expenses for the year ended 31 December 2021 amounted to approximately RMB12.2 million (2020: RMB11.5 million), representing an increase of 6.0%. Such increase was mainly due to the increase of sales staff costs and transportation amounting to RMB2.2 million (2020: RMB1.8 million) and RMB9.1 million (2020: RMB8.5 million) for the year ended 31 December 2021 respectively.

Administrative and Listing Expenses

Administrative and other operating expenses of the Group decreased by approximately RMB9.1 million or approximately 36.3% from approximately RMB25.0 million for the year ended 31 December 2020 to approximately RMB15.9 million for the year ended 31 December 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 primarily attributable to the absence of the Listing expenses in current year whilst the Listing expense incurred for the year ended 31 December 2020 was approximately RMB10.0 million.

Finance Costs

During the year ended 31 December 2021, finance costs for the Group was approximately RMB195,000 (2020: RMB212,000). 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 RMB0.8 million or 7.2% from approximately RMB11.8 million for the year ended 31 December 2020 to approximately RMB12.6 million for the year ended 31 December 2021. The increase in taxation was mainly attributable to the increase in profit before taxation from approximately RMB32.5 million for the year ended 31 December 2020 to approximately RMB47.9 million for the year ended 31 December 2021.

Profit for the year

Profit for the year increased by approximately RMB14.4 million or approximately 69.7% from approximately RMB20.8 million for the year ended 31 December 2020 to approximately RMB35.2 million for the year ended 31 December 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 AND FINANCIAL RESOURCES

The Group's net current assets increased from approximately RMB83.4 million as at 31 December 2020 to approximately RMB120.6 million as at 31 December 2021 primarily due to the increase in trade and other receivables of approximately RMB4.7 million and the increase in cash and cash equivalents of approximately RMB35.2 million.

The current ratio improved dramatically from approximately 3.8 times as at 31 December 2020 to approximately 4.7 times as at 31 December 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 improved from approximately 23.9% as at 31 December 2020 to 19.2% as at 31 December 2021, respectively.

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 2021, 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.

There has been no material change in the share capital structure of the Company during the year ended 31 December 2021.

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

The Group did not have any plans for material investments and capital assets during the year ended 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 10 September 2021, the Company entered into the equity sale and purchase agreements with Mr. Xu, Yeewo Pictures & Media Limited ("**Yeewo Pictures**") and Mr. Gong Zongfan ("**Mr. Gong**"), pursuant to which, the Company has conditionally agreed to acquire, and Mr. Xu, Yeewo Pictures and Mr. Gong have conditionally agreed to collectively sell 100% of the issued share capital of June Pictures & Media Limited ("**Target Company**"), at a consideration of RMB72,000,000 (equivalent to HK\$86,400,000) (the "**Acquisition**"). The Consideration shall be satisfied by the Company by way of: (i) issue and allotment of 336,000,000 new shares of the Company to Mr. Xu; (ii) issue and allotment of 72,000,000 new shares of the Company to Yeewo Pictures; and (iii) issue and allotment of 72,000,000 new shares of the Company to Mr. Gong, at an issue price of HK\$0.18 per new share, resulting in the total value of HK\$86,400,000 (equivalent to approximately RMB72,000,000).

On 20 January 2022, the Company, Mr. Xu, Yeewo Pictures and Mr. Gong entered into the supplemental agreements (the "Supplemental Agreements") to adjust certain terms of the Acquisition, given that the interest of film project held by the Target Company has been lowered from 35% to 10% by mutual agreements among the parties. Pursuant to the Supplemental Agreements, the total consideration of RMB20,571,430 shall be satisfied by the Company by way of: (i) issue and allotment of 74,482,760 new shares of the Company to Mr. Xu; (ii) issue of a debt instrument in the sum of RMB3,085,714 to Yeewo Pictures; and (iii) issue of a debt instrument in the sum of RMB3,085,714 to Mr. Gong. The completion of the transaction is conditional upon fulfilment or waiver (as the case may be) of certain conditions. Upon the completion, the Company will hold 100% equity interest in the Target Company and the financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

The Acquisition is not yet complete as at the date of this announcement and is subject to the shareholder approval on the extraordinary general meeting to be held on 1 April 2022. Details of the above transaction were set out in the announcements of the Company dated 10 September 2021 and 20 January 2022 and circular of the Company dated 16 March 2022.

Same as disclosed above, the Group did not make any other significant investments, acquisitions or disposal during the year ended 31 December 2021 which would constitute a discloseable transaction under GEM Listing Rules.

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 2021.

CHARGES ON ASSETS

The Group did not have any charges on its assets during the year ended 31 December 2021 (31 December 2020: Nil).

SIGNIFICANT INVESTMENTS HELD

There was no significant investment held by the Group during the year ended 31 December 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group employed a total of 168 employees (2020: 150 employees). The staff costs, including Directors' emoluments, of the Group were approximately RMB17.1 million for the year ended 31 December 2021 (2020: approximately RMB14.4 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 2021 (RMB million)	Unused total net proceeds up to 31 December 2021 (RMB million)	Expected timeline for utilisation of unused net proceeds as at
					31 December 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%	1.4	0.5	Before end of year 2022
To strengthen research and development capabilities	2.5	11.0%	2.5	—	N/A
To expand Group’s sales and marketing team	0.3	1.5%	0.3	—	N/A
Total	22.8	100%	22.3	0.5	

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 RMB0.6 million.
3. The Group commenced to hire research and development team as of approximately RMB0.1 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 RMB0.3 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.

Same 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 2021.

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 2021.

Interests of Compliance Adviser

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

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 2021, 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 2021.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

Annual General Meeting and Closure of Register Of Members

The annual general meeting is scheduled on 31 May 2022, Tuesday. 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 2022, Thursday to 31 May 2022, Tuesday, 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 2022.

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. Chung Chi Kit, Mr. Liu Dajin and Mr. Deng Zhihuang, all being INEDs of the Company. Mr. Chung Chi Kit 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 2021 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 2021 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

On 4 March 2022, the Company entered into a non-legally binding memorandum of understanding with Mr. Hu Kun in relation to a possible acquisition of the entire equity interest in Beijing Youpinhui Trading Co., Ltd (北京優拼匯商貿有限公司) by the Group.

Save as disclosed above, the Group did not make any other subsequent events occurred after 31 December 2021, which may have a significant effect, on the assets and liabilities of 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 2022

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.