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Jiumaojiu International Holdings Limited

九毛九国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9922)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board (the “**Board**”) of directors (the “**Directors**”) of Jiumaojiu International Holdings Limited (九毛九国际控股有限公司) (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2020 (the “**Interim Results**”), together with comparative figures for the six months ended June 30, 2019.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY FINANCIAL HIGHLIGHTS

**For the six months ended
June 30,**

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	
Revenue	949,507	1,237,138
Operating profit ⁽¹⁾	8,084	241,432
(Loss)/profit before taxation	(128,858)	138,546
(Loss)/profit for the period	(88,696)	102,037
(Loss)/profit for the period attributable to equity shareholders of the Company	(85,902)	92,562
Adjusted net (loss)/profit ⁽²⁾	(114,840)	116,341

Notes:

- (1) We define operating profit as revenue for the period deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees.
- (2) We define adjusted net (loss)/profit as (loss)/profit for the period adjusted by excluding all non-recurring charges/gains, namely, adding (i) equity-settled share-based payment expenses, (ii) listing expenses and deducting (iii) interest income on subscription monies received from initial public offering.

KEY OPERATIONAL HIGHLIGHTS

	As of/for the six months ended June 30,	
	2020	2019
Number of restaurants ⁽¹⁾	321	297
Seat turnover rate ⁽²⁾		
Jiu Mao Jiu	1.3	2.3
Tai Er	3.4	4.9
Average spending per customer (RMB) ⁽³⁾		
Jiu Mao Jiu	61	56
Tai Er	77	75

Notes:

- (1) Including both self-operated and franchised restaurants.
- (2) Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the period.
- (3) Calculated by dividing revenue for the period by total customer traffic for the period.

Same store sales for the period refers to the revenue of all restaurants that qualified as same stores during that period. We define our same store base to be those restaurants that opened for at least 150 days both in the six months ended June 30, 2019 and 2020. Same store sales and same store sales growth figures are not disclosed given none of our restaurants opened for at least 150 days during the six months ended June 30, 2020 as a result of the Epidemic (as defined below).

BUSINESS REVIEW AND OUTLOOK

Overview

We witnessed both opportunities and challenges in the first half of 2020. The successful listing of our shares (the “**Shares**”) on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on January 15, 2020 (the “**Listing**”) marked a significant milestone in our Group’s history. On the other hand, we were confronted with unprecedented challenges brought by the outbreak of the respiratory illness caused by a novel coronavirus, COVID-19 (the “**Epidemic**”) since January 2020. Despite the impact of the Epidemic on our operations in the first half of 2020, we maintained our market position as a leading Chinese cuisine restaurant brand manager and operator in China. As of June 30, 2020, we operated 288 restaurants and managed 33 franchised restaurants, covering 43 cities in 16 provinces and four municipalities in the PRC.

Our results of operations for the first half of 2020 were adversely affected by the Epidemic. Our revenue decreased by 23.2% from RMB1,237.1 million for the six months ended June 30, 2019 to RMB949.5 million for the same period in 2020, and our operating profit decreased by 96.7% from RMB241.4 million for the six months ended June 30, 2019 to RMB8.1 million for the same period in 2020. We temporarily suspended the operation of all our restaurants in the PRC (including both self-operated and franchised restaurants) from January 26, 2020 in an effort to facilitate better prevention and control of the virus and ensure the health and safety of our employees and customers. As the Epidemic in China subsided, the operation of certain restaurants resumed from March 18, 2020. The remaining restaurants gradually resumed operation based on the progress in containment of the Epidemic in the regions where the restaurants are located. As of May 10, 2020, all of our restaurants had resumed operation.

We have been closely reviewing the performance of our restaurants and adjusting our business strategies from time to time to mitigate the impact of the Epidemic on our business operations. We implemented several cost-saving initiatives to reduce costs on rentals, raw materials and consumables used as well as other operating expenses. As part of such initiatives, we closed down restaurants with relatively low customer traffic and ceased to operate Jiu Mao Jiu restaurants located outside Guangdong and Hainan provinces. A total of 48 self-operated restaurants, comprising 43 Jiu Mao Jiu restaurants, 2 Tai Er restaurants and 3 self-operated Double Eggs restaurants, were closed during the first half of 2020 as a result of the Epidemic and we incurred losses on disposal of assets from restaurant closures of approximately RMB27.8 million. We also incurred expenses of approximately RMB1.0 million on virus prevention and control measures to safeguard the health and safety of our employees and customers and on facilitation of smooth resumption of normal operation of our restaurants. The timing of our opening of new restaurants of various brands may also be affected by the continuing impact of the Epidemic.

2020 Interim Business and Financial Performance Review

Restaurant network

In the first half of 2020, we opened 55 new restaurants, which comprised 6 Jiu Mao Jiu restaurants, 37 Tai Er restaurants, 2 self-operated Double Eggs restaurants and 10 franchised Double Eggs restaurants. A total of 70 restaurants, comprising 49 self-operated restaurants and 21 franchised Double Eggs restaurants, were closed in the first half of 2020 primarily due to (i) the termination of the relevant lease agreements and (ii) their underperformance based on our evaluation considering the impact of the Epidemic.

The table below sets forth a breakdown of our restaurants by brand as of the dates indicated:

	As of June 30,	
	2020	2019
Number of restaurants		
Jiu Mao Jiu	105	149
Tai Er	161	91
Double Eggs (self-operated)	20	20
Double Eggs (franchised)	33	35
Cooking Spicy Kebab	1	1
Uncle Chef	1	1
Total	321	297

Restaurant performance

The table below sets forth the key performance indicators of our restaurants by brand for the periods indicated:

	For the six months ended June 30,	
	2020	2019
	(Unaudited)	
Revenue (RMB'000)		
Jiu Mao Jiu	258,332	671,607
Tai Er	670,482	537,203
Double Eggs (self-operated)	5,634	9,333
Double Eggs (franchised) ⁽¹⁾	7,012	11,417
Cooking Spicy Kebab	1,098	2,658
Uncle Chef	2,855	1,003
Seat turnover rate ⁽²⁾		
Jiu Mao Jiu	1.3	2.3
Tai Er	3.4	4.9
Double Eggs (self-operated)	—	—
Double Eggs (franchised)	—	—
Cooking Spicy Kebab	2.0	4.6
Uncle Chef	1.0	1.8
Average spending per customer ⁽³⁾ (RMB)		
Jiu Mao Jiu	61	56
Tai Er	77	75
Double Eggs (self-operated)	22	20
Double Eggs (franchised) ⁽¹⁾	23	20
Cooking Spicy Kebab	59	53
Uncle Chef	139	127

Notes:

- (1) Restaurant performance for franchised Double Eggs restaurants is shown for reference only. Our revenue recognized from these restaurants is contributed from fees we charge our franchisees in accordance with the relative franchise agreements.
- (2) Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the period. Seat turnover rate does not apply to Double Eggs.
- (3) Calculated by dividing revenue for the period by total customer traffic for the period.

Revenue from our restaurant operations decreased by 35.8% from RMB1,117.1 million in the first half of 2019 to RMB717.5 million for the comparative period in 2020 and the seat turnover rates of our restaurants decreased in the first half of 2020, primarily due to the temporary suspension of our restaurant operations and reduced customer traffic during the first half of 2020 caused by the Epidemic. Despite the adverse impact of the Epidemic on our business operations, revenue from Tai Er increased by 24.8% from RMB537.2 million for the six months ended June 30, 2019 to RMB670.5 million for the comparative period in 2020, due to (i) an increase in the number of Tai Er restaurants from 91 as of June 30, 2019 to 161 as of June 30, 2020 as a result of their popularity and outstanding operating performance, and (ii) the commencement of food delivery services of our Tai Er restaurants since late February 2020.

Average spending per customer of Jiu Mao Jiu increased from RMB56 in the first half of 2019 to RMB61 for the comparative period in 2020 as a result of streamlined menu. The slight increase in average spending per customer of Tai Er from RMB75 in the first half of 2019 to RMB77 for the comparative period in 2020 was attributable to increased dish prices in December 2019.

Future Prospects

Looking ahead, we will continue to implement the following growth strategies:

- ***Replicate our success through further expansion.*** We anticipate that the Epidemic will continue to cause uncertainty in the business environment in China in the second half of 2020 which may affect our restaurant network expansion plan. We have been closely monitoring the development of the Epidemic in China and adjusting the timeline of our restaurant network expansion plan for different brands as and when appropriate. We expect that we will remain on track with our restaurant network expansion plan set forth in the prospectus of the Company dated December 30, 2019 for Tai Er while adopting a moderate approach in the timeframe of our restaurant network expansion plan for other brands.
- ***Continue to expand into more market segments by pursuing a multi-brand and multi-concept strategy.*** We plan to further promote the brand image and recognition of Tai Er as it has achieved higher operating profits compared with our other brands. We will also invest in companies in the catering service industry. We intend to identify targets which adopt innovative business models and possess development and growth potential, or whose business models can create synergies with our business and fit into our multi-brand development strategy. We currently have not yet identified any potential target. We believe our multi-brand and multi-concept strategy allows us to further expand into more market segments, capture market opportunities, broaden our customer base and ultimately increase our market share. The collaboration with various young and innovative brands would enable us to stay attuned to the market trends.
- ***Continue to strengthen our supply and support capabilities.*** We rented a new warehouse near our central kitchen in Foshan. The existing warehouse of our Foshan central kitchen will be converted into a food processing center to enhance our supply chain capabilities to support our future expansion plan. We will also open a new central kitchen in Foshan to enhance our supply chain capabilities to support our future expansion plan. In addition, we plan to cooperate with suppliers of our key ingredients by way of joint ventures or other means to secure stable supply of key ingredients.
- ***Expand into the global markets to gain international presence.*** We will continue to carry out comprehensive research into potential overseas target markets and carefully evaluate and select appropriate locations for our international expansion. We will prioritize countries and cities with high population of Chinese people, such as Hong Kong, Macau, Singapore, the United States and Canada, for our future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue decreased by 23.2% from RMB1,237.1 million for the six months ended June 30, 2019 to RMB949.5 million for the same period in 2020.

Revenue by brand

We generate revenue from three segments classified by brands, including Jiu Mao Jiu, Tai Er and all other brands. The following table sets forth a breakdown of our revenue by brand for the periods indicated:

	For the six months ended June 30,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>			
Jiu Mao Jiu	266,828	28.1	682,790	55.2
Tai Er	671,718	70.7	538,109	43.5
Others	10,961	1.2	16,239	1.3
Total.	949,507	100.0	1,237,138	100.0

Our revenue from Jiu Mao Jiu decreased by 60.9% from RMB682.8 million for the six months ended June 30, 2019 to RMB266.8 million for the same period in 2020 primarily due to the decrease in overall customer traffic as a result of the Epidemic, which resulted in (i) a decrease in the number of Jiu Mao Jiu restaurants from 149 as of June 30, 2019 to 105 as of June 30, 2020 and (ii) temporary suspension of our restaurant operations from January 26, 2020. We gradually resumed our restaurant operations from March 18, 2020. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 55.2% for the six months ended June 30, 2019 to 28.1% for the same period in 2020, primarily due to the combined effects of the closures of Jiu Mao Jiu restaurants during the six months ended June 30, 2020 and an increase in the number of our Tai Er restaurants during the same period.

Our revenue from Tai Er increased by 24.8% from RMB538.1 million for the six months ended June 30, 2019 to RMB671.7 million for the same period in 2020 primarily due to (i) an increase in the number of Tai Er restaurants from 91 as of June 30, 2019 to 161 as of June 30, 2020 as a result of their popularity and outstanding operating performance, and (ii) the commencement of food delivery services of our Tai Er restaurants since late February 2020, which contributed to 22.9% of revenue from Tai Er for the six months ended June 30, 2020. The average spending per customer of our Tai Er restaurants slightly increased from RMB75 for the six months ended June 30, 2019 to RMB77 for the same period in 2020 as a result of increased dish prices in December 2019. Our revenue from Tai Er as a percentage of total revenue increased significantly from 43.5% for the six months ended June 30, 2019 to 70.7% for the same period in 2020, primarily due to the increase in number of Tai Er restaurants during the period.

Our revenue from other brands decreased by 32.5% from RMB16.2 million for the six months ended June 30, 2019 to RMB11.0 million for the same period in 2020 primarily due to (i) a decrease in revenue from Double Eggs of RMB3.6 million and (ii) a decrease in revenue from our Cooking Spicy Kebab restaurant of RMB1.6 million, partially offset by an increase in revenue from Uncle Chef restaurant which commenced operations in June 2019, by RMB1.9 million. Revenue from other brands as a percentage of total revenue remained relatively stable at 1.3% and 1.2% for six months ended June 30, 2019 and 2020, respectively.

Revenue by service line

Services provided by us or activities we engage in comprise (i) restaurant operations, (ii) delivery business, (iii) sales of specialties and (iv) others including franchising and management and operation of Machang Restaurant. The following table sets forth a breakdown of our revenue by service line for the periods indicated:

	For the six months ended June 30,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	<i>(Unaudited)</i>			
Restaurant operations	717,510	75.6	1,117,084	90.3
Delivery business	219,778	23.1	106,014	8.6
Sales of specialties	1,273	0.1	697	0.1
Others	10,946	1.2	13,343	1.0
Total	<u>949,507</u>	<u>100.0</u>	<u>1,237,138</u>	<u>100.0</u>

Revenue from restaurant operations decreased by 35.8% from RMB1,117.1 million for the six months ended June 30, 2019 to RMB717.5 million for the same period in 2020, primarily due to the temporary suspension of our restaurant operations from January 26, 2020. Our restaurant operations resumed gradually from March 18, 2020. During the six months ended June 30, 2020, we permanently closed 43 Jiu Mao Jiu restaurants as a result of the Epidemic, while we significantly increased the number of Tai Er restaurants from 91 as of June 30, 2019 to 161 as of June 30, 2020. Revenue from restaurant operations as a percentage of total revenue decreased from 90.3% for the six months ended June 30, 2019 to 75.6% for the same period in 2020.

Revenue from delivery business increased by 107.3% from RMB106.0 million for the six months ended June 30, 2019 to RMB219.8 million for the same period in 2020, primarily due to Tai Er's commencement of food delivery business since late February 2020. Revenue from our delivery business as a percentage of total revenue increased significantly from 8.6% for the six months ended June 30, 2019 to 23.1% for the same period in 2020.

Revenue from sales of specialties increased by 82.6% from RMB0.7 million for the six months ended June 30, 2019 to RMB1.3 million for the same period in 2020, primarily due to the expansion of our restaurant network. Revenue from sales of specialties as a percentage of total revenue remained stable at 0.1% for both the six months ended June 30, 2019 and 2020.

Revenue from others decreased by 18.0% from RMB13.3 million for the six months ended June 30, 2019 to RMB10.9 million for the same period in 2020, primarily due to the decrease in revenue from our franchised Double Eggs restaurants of RMB5.3 million for the six months ended June 30, 2019 to RMB3.9 million for the same period in 2020. Revenue from others as a percentage of total revenue increased slightly from 1.0% for the six months ended June 30, 2019 to 1.2% for the same period in 2020.

Other Revenue

Our other revenue increased significantly by 1,321.7% from RMB1.9 million for the six months ended June 30, 2019 to RMB27.1 million for the same period in 2020 primarily due to (i) an increase in interest income of RMB15.4 million due to the increase in our interest income on bank deposits and short-term wealth management products, and (ii) an increase in government grants of RMB9.6 million which were mainly super deduction and exemption on value-added tax granted by the relevant government authorities in the PRC.

Raw Materials and Consumables Used

Our raw materials and consumables used decreased by 14.5% from RMB435.0 million for the six months ended June 30, 2019 to RMB372.1 million for the same period in 2020 which was in line with our reduced revenue from restaurant operations. Our raw materials and consumables used as a percentage of revenue increased from 35.2% for the six months ended June 30, 2019 to 39.2% for the same period in 2020, primarily due to (i) the growth of our restaurant operations under Tai Er, which had a relatively higher materials and consumables used as a percentage of revenue compared with that of Jiu Mao Jiu restaurants and (ii) the increase in the prices of raw materials and consumables as a result of the Epidemic.

Staff Costs

Our staff costs increased slightly by 2.3% from RMB320.1 million for the six months ended June 30, 2019 to RMB327.3 million for the same period in 2020 primarily due to an increase in the number of our employees under Tai Er as we recruited new employees for the newly opened Tai Er restaurants, partially offset by a decrease in the number of employees under Jiu Mao Jiu as a result of the closures of Jiu Mao Jiu restaurants. Our staff costs as a percentage of revenue increased from 25.9% for the six months ended June 30, 2019 to 34.5% for the same period in 2020, primarily due to the decrease in revenue resulted from the temporary suspension of restaurant operations as a result of the Epidemic.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets increased by 9.4% from RMB104.6 million for the six months ended June 30, 2019 to RMB114.4 million for the same period in 2020 primarily due to the increase in the number of our restaurants. Depreciation of right-of-use assets as a percentage of revenue increased from 8.5% for the six months ended June 30, 2019 to 12.1% for the same period in 2020, primarily due to the decrease in revenue caused by the temporary suspension of restaurant operations as a result of the Epidemic.

Other Rentals and Related Expenses

Our other rentals and related expenses decreased by 34.9% from RMB21.5 million for the six months ended June 30, 2019 to RMB14.0 million for the same period in 2020 primarily due to (i) the decrease in rent payments under variable rent arrangements as a result of the temporary suspension of restaurant operations during the six months ended June 30, 2020 and (ii) rent concessions during the six months ended June 30, 2020 as a result of the Epidemic. Our other rentals and related expenses as a percentage of revenue remained relatively stable at 1.7% and 1.5% for the six months ended June 30, 2019 and 2020, respectively.

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets increased by 4.2% from RMB49.2 million for the six months ended June 30, 2019 to RMB51.3 million for the same period in 2020 primarily due to an increase in restaurant renovation costs resulting from our expansion of restaurant network for Tai Er during the six months ended June 30, 2020. Depreciation and amortization of other assets as a percentage of revenue increased from 4.0% for the six months ended June 30, 2019 to 5.4% for the same period in 2020, primarily because revenue from our restaurant operations decreased as a result of the temporary suspension of restaurant operations due to the Epidemic.

Utilities Expenses

Our utilities expenses decreased by 25.3% from RMB50.5 million for the six months ended June 30, 2019 to RMB37.7 million for the same period in 2020 primarily due to the temporary suspension of restaurant operations during the six months ended June 30, 2020. Our utilities expenses as a percentage of revenue remained stable at 4.1% and 4.0% for the six months ended June 30, 2019 and 2020, respectively.

Travelling and Related Expenses

Our travelling and related expenses increased by 11.2% from RMB5.5 million for the six months ended June 30, 2019 to RMB6.1 million for the same period in 2020 primarily because our staff traveled more frequently for daily operations as a result of the nationwide expansion of our Tai Er restaurant network during the six months ended June 30, 2020. Our travelling and related expenses as a percentage of revenue remained stable at 0.4% and 0.6% for the six months ended June 30, 2019 and 2020, respectively.

Listing Expenses

We incurred listing expenses of RMB9.9 million and RMB7.3 million (equivalent to approximately HKD11.0 million and HKD8.3 million) for the six months ended June 30, 2019 and 2020, respectively, representing 0.8% of our revenue for both the six months ended June 30, 2019 and 2020, in relation to the global offering of our Shares in connection with the Listing (the “**Global Offering**”).

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 31.2% from RMB8.3 million for the six months ended June 30, 2019 to RMB10.9 million for the six months ended June 30, 2020, primarily because we incurred more expenses on advertising activities for our newly opened Tai Er restaurants. Advertising and promotion expenses as a percentage of revenue slightly increased from 0.7% for the six months ended June 30, 2019 to 1.2% for the same period in 2020.

Delivery Service Fees

Our delivery service fees increased significantly by 65.2% from RMB14.9 million for the six months ended June 30, 2019 to RMB24.6 million for the same period in 2020 primarily because (i) we renewed our delivery services contracts with certain third-party delivery platforms, pursuant to which we were required to pay delivery service fees to the third-party delivery platforms at a higher rate based on the sales of each delivery order, and (ii) Tai Er’s commencement of food delivery business since late February 2020 resulting in the growth of our delivery business. Delivery service fees as a percentage of revenue increased from 1.2% for the six months ended June 30, 2019 to 2.6% for the same period in 2020, primarily due to Tai Er’s commencement of food delivery business since late February 2020.

Other Expenses

Our other expenses increased by 30.0% from RMB51.3 million for the six months ended June 30, 2019 to RMB66.7 million for the same period in 2020, primarily due to an increase in services fees to third-party service providers of RMB14.0 million relating to management consulting, environment protection assessments and fees to the customs agent. The following table sets forth a breakdown of our other expenses for the years/periods indicated:

	For the six months ended June 30,		For the year ended December 31,	
	2020	2019	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>		<i>(for reference only)</i>	
Services fees to third-party service providers	25,799	11,784	32,964	20,365
Upfront costs for opening new restaurants	10,913	13,361	25,526	23,819
Transportation charges	9,330	10,701	23,358	17,747
Maintenance expenses	3,710	4,328	11,999	7,838
Cultural activity fees	2,358	4,399	6,319	5,367
Bank charges	1,782	2,260	5,139	1,177
Insurance expenses	1,335	731	1,408	1,258
Business development expenses	1,797	1,095	4,149	1,976
Office expenses	5,247	582	4,195	4,961
Impairment losses of property, plant and equipment and right-of-use assets ⁽¹⁾	—	—	2,022	7,266
Research and development expenses	209	363	990	703
Other inventories losses	—	—	—	22,149
Cleaning fees	1,355	690	2,311	1,340
Others	2,821	989	8,926	6,676
Total	66,656	51,283	129,306	122,642

Note:

- (1) “Impairment losses of property, plant and equipment and right-of-use assets” was presented as a separate line item in the consolidated statement of profit or loss of the Company for the six months ended June 30, 2020.

Share of (Losses)/Profits of Associates

We recorded share of loss of associates of RMB7.6 million for the six months ended June 30, 2020, while we recognized share of profit of associates of RMB1.1 million for the same period in 2019, primarily due to the losses of our minority equity investments in associates in the catering service industry.

Other Net Losses

Our other net losses increased from RMB1.9 million for the six months ended June 30, 2019 to RMB39.4 million for the same period in 2020. Our other net losses incurred during the six months ended June 30, 2020 mainly comprised (i) losses on restaurants closures of RMB27.8 million as we closed 48 self-operated restaurants as a result of the Epidemic, (ii) losses on inventories of RMB3.9 million due to the Epidemic and (iii) donations made amounting to RMB1.2 million in view of the Epidemic.

Finance Costs

Our finance costs increased by 16.4% from RMB29.1 million for the six months ended June 30, 2019 to RMB33.8 million for the same period in 2020 primarily due to an increase in interest on lease liabilities of RMB5.8 million recognized in accordance with IFRS 16 associated with our increasing number of leases as a result of the expansion of our restaurant network, partially offset by a decrease in interest on bank loans of RMB1.4 million due to the decrease in the amount of bank loans.

Income Tax

We incurred income tax expenses of RMB36.5 million for the six months ended June 30, 2019, while we recognized income tax credit of RMB40.2 million for the same period in 2020, primarily because we recorded a taxable profit for the six months ended June 30, 2019 compared to a loss before taxation of RMB128.9 million for the same period in 2020.

(Loss) /Profit for the Period

As a result of the foregoing, we recorded a loss of RMB88.7 million for the six months ended June 30, 2020 compared to a profit of RMB102.0 million for the same period in 2019.

Non-IFRS Measures

We adopt the operating profit and operating profit margin, adjusted net (loss)/profit and adjusted net (loss)/profit margin, which are not required by or presented in accordance with IFRS as important financial measures to supplement our consolidated financial statements.

Operating Profit and Operating Profit Margin

We believe that operating profit is helpful for investors and others in understanding our multi-brand and multi-concept strategy by directly illustrating the profitability of our different brands, and that it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry.

We define operating profit as revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees. The following table illustrates our operating profit and operating profit margin by brands for the periods indicated:

	For the six months ended June 30,			
	2020		2019	
	Operating Profit	Operating Profit Margin	Operating Profit	Operating Profit Margin
	RMB'000	(%)	RMB'000	(%)
	(Unaudited)			
Jiu Mao Jiu	(41,874)	(15.7)	123,534	18.1
Tai Er	52,040	7.7	125,284	23.3
Other Brands	(2,082)	(19.0)	(7,386)	(45.5)
Total	8,084	0.9	241,432	19.5

Adjusted Net (Loss)/Profit and Adjusted Net (Loss)/Profit Margin

The presentation of adjusted net (loss)/profit facilitates comparisons of operating performance from period to period and company to company, by eliminating potential impacts of items that our management does not consider indicative of our operating performance. Listing expenses and interest income on subscription monies received from initial public offering are one-off expenses or income in relation to the Global Offering. Equity-settled share-based payment expenses are non-operational expenses arising from granting restricted stock units to selected executives and employees, the amount of which may not directly correlate with the underlying performance of our business operations. We believe that the adjusted net (loss)/profit is frequently used by other interested parties when evaluating the performance of a company.

We define adjusted net (loss)/profit as (loss)/profit for the period adjusted by excluding all non-recurring charges/gains, namely, adding (i) equity-settled share-based payment expenses, (ii) listing expenses and deducting (iii) interest income on subscription monies received from initial public offering. The following table illustrates a reconciliation from (loss)/profit for the period to adjusted net (loss)/profit for the periods indicated:

	For the six months ended	
	June 30,	
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	
(Loss)/profit for the period	(88,696)	102,037
Add:		
Equity-settled share-based payment expenses	2,961	4,454
Listing expenses	7,344	9,850
Less:		
Interest income on subscription monies received from initial public offering	(36,449)	—
Adjusted net (loss)/profit	(114,840)	116,341
Revenue	949,507	1,237,138
 Adjusted net (loss)/profit margin (%)	 (12.1)	 9.4

Inventories

Our inventories mainly represented our (i) food ingredients, (ii) condiment product, (iii) beverage and (iv) other materials used in our restaurant operations. The following table set forth a breakdown of our inventories as of the dates indicated:

	As of	As of
	June 30,	December 31,
	2020	2019
	RMB' 000	RMB' 000
	(Unaudited)	
Food ingredients	26,576	54,985
Condiment product	8,466	9,361
Beverage	976	434
Other materials	11,354	10,124
 Total	 47,372	 74,904

Our inventories decreased by 36.8% from RMB74.9 million as of December 31, 2019 to RMB47.4 million as of June 30, 2020, primarily due to the decrease in food ingredients of RMB28.4 million as we decreased our storage of food ingredients resulting from the temporary suspension of our restaurant operations in early 2020 attributable to the Epidemic.

Our inventory turnover days for the year ended December 31, 2019 and for the six months ended June 30, 2020, being the average of the beginning and ending inventories for that year/period divided by raw materials and consumables used for the same year/period and multiplied by the number of days in that year/period, was 20.6 days and 29.7 days, respectively. Our inventory turnover days increased primarily because the consumption of food ingredients slowed down as a result of the temporary suspension of our restaurant operations in early 2020 attributable to the Epidemic.

Right-of-use Assets

Our right-of-use assets, which represented the leases for our restaurant premises, headquarters offices, central kitchens and certain kitchen equipment, slightly increased by 4.9% from RMB804.7 million as of December 31, 2019 to RMB843.8 million as of June 30, 2020, primarily due to the increase in the number of our Tai Er restaurants.

Trade Debtors

Our trade debtors primarily consisted of (i) bills settled through third party payment platforms such as Alipay or WeChat Pay, which were normally settled within a short period of time, (ii) bills for our delivery business settled through third party delivery services platform, which were settled within three calendar days, and, to a lesser extent, (iii) bills received by shopping malls on behalf of us for certain restaurants, which were normally settled within one month. Our trade debtors increased by 44.8% from RMB11.9 million as of December 31, 2019 to RMB17.3 million as of June 30, 2020, primarily due to the increase in trade debtors due from third party delivery service platforms resulting from the growth of our food delivery business. As a result, our trade debtors turnover days, being the average of the beginning and ending balances of trade debtors for that year/period divided by revenue for the same year/period and multiplied by the number of days in that year/period, increased from 2.0 days for the year ended December 31, 2019 to 2.8 days for the six months ended June 30, 2020.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers. Our trade payables slightly decreased by 1.7% from RMB96.8 million as of December 31, 2019 to RMB95.2 million as of June 30, 2020. Our trade payables turnover days, being the average of the beginning and ending balances of trade payables for that year/period divided by raw materials and consumables used for the same year/period and multiplied by the number of days in that year/period, increased from 31.4 days for the year ended December 31, 2019 to 46.4 days for the six months ended June 30, 2020, primarily because we negotiated with our suppliers for the extension of credit term due to the Epidemic.

Capital Structure

Our total assets increased from RMB1,654.4 million as of December 31, 2019 to RMB3,683.8 million as of June 30, 2020. Our total liabilities decreased from RMB1,483.7 million as of December 31, 2019 to RMB1,405.7 million as of June 30, 2020. Liabilities-to-assets ratio decreased from 89.7% as of December 31, 2019 to 38.2% as of June 30, 2020.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 0.48 as of December 31, 2019 to 3.36 as of June 30, 2020.

Liquidity, Capital Resources and Gearing

For the six months ended June 30, 2020, we financed our operations primarily through cash generated from operations and the proceeds from the Global Offering. We mainly utilized our cash on procurement of food ingredients, consumables and equipment, and restaurant renovations. Our cash and cash equivalents, which were primarily held in Renminbi and Hong Kong dollars, increased by 820.4% from RMB127.2 million as of December 31, 2019 to RMB1,170.4 million as of June 30, 2020, which was primarily attributable to the proceeds from the Global Offering.

Our gearing ratio, being interest-bearing bank loans divided by total equity and multiplied by 100%, decreased from 129.2% as of December 31, 2019 to 2.3% as of June 30, 2020, primarily because we repaid the syndicated loan of HKD202.2 million (equivalent to RMB181.2 million) borrowed on November 18, 2019 in full on January 17, 2020.

Capital Expenditures

Our capital expenditures, which referred to the payment for purchases of property, plant and equipment, are incurred primarily for opening new restaurants, procuring property, plant and equipment for new restaurants, renovating existing restaurants and purchasing furniture and equipment used in our restaurant operations. Our total capital expenditures increased by 13.5% from RMB61.0 million for the six months ended June 30, 2019 to RMB69.3 million for the same period in 2020.

Indebtedness

Bank Loans

As of June 30, 2020, all of our bank loans of RMB53.0 million were repayable within one year or on demand. During the six months ended June 30, 2020, the Group obtained new bank loans amounting to RMB120.0 million and repaid bank loans amounting to RMB287.5 million.

Lease Liabilities

Our lease liabilities increased by 10.7% from RMB897.1 million as of December 31, 2019 to RMB993.3 million as of June 30, 2020, primarily due to the increase in the number of newly opened restaurants which were in their early period of lease term.

Contingent Liabilities

As of June 30, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

Pledge of Assets

As of June 30, 2020, restricted bank deposits of RMB1,000 were pledged as securities for POS machines (As of December 31, 2019: RMB25.0 million for bank loans and POS machines).

Significant Events After the Reporting Period

Completion of the Subscription (as defined in the announcement of the Company dated July 16, 2020 in relation to the subscription for new shares under the general mandate) took place on July 30, 2020. We received total net proceeds of approximately HKD829.5 million from the Subscription. For details of the Subscription and intended use of the net proceeds, please refer to the Company's announcements dated July 16, 2020, July 23, 2020 and July 30, 2020.

Except as disclosed in this announcement and note 13 to the Interim Results, there are no material events subsequent to June 30, 2020 which could have a material impact on our operating and financial performance as of the date of this announcement.

Foreign Exchange Risk and Hedging

The Group mainly operates in mainland China with most of the transaction denominated and settled in RMB. However, the Group has cash and deposits denominated in other currencies which are exposed to foreign currency exchange risks. The Group has not hedged its foreign currency exchange risks, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

Material Acquisitions and Future Plans for Major Investment

During the six months ended June 30, 2020, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed “Business” and “Future Plans and Use of Proceeds” in the prospectus of the Company dated December 30, 2019, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2020 (for the six months ended June 30, 2019: Nil).

Company Information

The Company was incorporated in the Cayman Islands on February 1, 2019 as an exempted company with limited liability, and the shares were listed on the Main Board of the Stock Exchange on January 15, 2020.

Employees

As of June 30, 2020, the Group had a total of 9,962 employees, substantially all of whom were based in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

No Material Changes

Saved as disclosed in this announcement, during the period from January 1, 2020 to June 30, 2020, there were no material changes affecting the Group’s performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Use of Proceeds

The Company was listed on the Stock Exchange on January 15, 2020. The net proceeds from the Global Offering amounted to approximately HKD2,372.9 million. The following table sets forth the status of the use of net proceeds from the Global Offering⁽¹⁾:

Intended use of proceeds	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (In HKD millions)	Percentage of used amount as of August 15, 2020 (%)	Percentage of unused balance as of August 15, 2020 (%)	Timeframe for the unused balance
Expand our restaurant network	77.4	1,837.9	7.8	92.2	By the end of 2022
Open new Jiu Mao Jiu restaurants in 2020 and 2021	7.2	171.9	19.6	80.4	By the end of 2021
Open new Tai Er restaurants in 2020 and 2021	38.6	917.1	11.3	88.7	By the end of 2021
Open new restaurants of other brands in 2020 and 2021	8.1	191.1	3.0	97.0	By the end of 2021
Restaurants expansion and operation in 2022	23.5	557.8 ⁽²⁾	–	100.0	By the end of 2022
Further strengthen the supply and support capabilities for our restaurants and enhance our centralized procurement system	5.6	133.7	5.1	94.9	By the end of 2023
Open one new central kitchen in Foshan by 2021	3.2	76.4	–	100.0	By the end of 2021
Renovate our existing central kitchens and upgrading our equipment and facilities	2.4	57.3	12.0	88.0	By the end of 2023
Repay part of our bank loans	8.9	210.2	100.0	–	–
Working capital and general corporate purposes	8.1	191.1	100.0	–	–
Total	100.0	2,372.9	23.2	76.8	By the end of 2023

Notes:

1. The figures in the table are approximate figures.
2. The net proceeds of approximately HKD315.0 million (after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the exercise of the Over-allotment Option) for the 50,010,000 shares issued upon the exercise in full of the Over-allotment Option will be used for restaurants expansion and operation in 2022.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plans as intended, we may hold such funds in short-term deposits or money market instruments so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

SHARE OPTION SCHEME

A share option scheme was conditionally approved and adopted by our shareholders on December 6, 2019 and its implementation is conditional on the Listing. The purpose of the share option scheme is to provide our Company with a means of incentivizing any director or employee of our Group who has contributed or will contribute to our Group and retaining employees, and to encourage employees to work towards enhancing the value of our Company and promote the long-term growth of our Company. The share option scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company's corporate culture.

The share option scheme remains valid for a period of ten years commencing on December 6, 2019. As of June 30, 2020, no option had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the share option scheme. As a result, the total number of shares available for grant under the share option scheme was 133,340,000, representing 9.17% of the total shares in issue of the Company as of the date of this announcement.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020	2019
		RMB' 000	RMB' 000
Revenue	3	949,507	1,237,138
Other revenue		27,097	1,906
Raw materials and consumables used		(372,122)	(435,002)
Staff costs		(327,295)	(320,073)
Depreciation of right-of-use assets		(114,422)	(104,555)
Other rentals and related expenses		(13,969)	(21,460)
Depreciation and amortisation of other assets		(51,287)	(49,239)
Utilities expenses		(37,684)	(50,456)
Travelling and related expenses		(6,077)	(5,465)
Listing expenses		(7,344)	(9,850)
Advertising and promotion expenses		(10,935)	(8,333)
Delivery service fees		(24,644)	(14,921)
Other expenses		(66,656)	(51,283)
Share of (losses)/profits of associates		(7,605)	1,087
Other net losses		(39,392)	(1,889)
Finance costs		(33,811)	(29,059)
Impairment losses of property, plant and equipment and right-of-use assets		(28,668)	—
Interest income on subscription monies received from initial public offering (“IPO”)		36,449	—
(Loss)/profit before taxation		(128,858)	138,546
Income tax	5	40,162	(36,509)
(Loss)/profit for the period		(88,696)	102,037
Attributable to:			
Equity shareholders of the Company		(85,902)	92,562
Non-controlling interests		(2,794)	9,475
(Loss)/profit for the period		(88,696)	102,037
(Loss)/earnings per share			
Basic and diluted	6	(0.06)	0.09

Details of dividends payable to equity shareholders of the Company are set out in note 11(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2020 – unaudited

(Expressed in Renminbi)

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
(Loss)/profit for the period	(88,696)	102,037
Other comprehensive income for the period:		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	7,866	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of operations outside the mainland China	58,940	–
Other comprehensive income for the period	66,806	–
Total comprehensive income for the period	(21,890)	102,037
Attributable to:		
Equity shareholders of the Company	(19,096)	92,562
Non-controlling interests	(2,794)	9,475
Total comprehensive income for the period	(21,890)	102,037

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2020	At 31 December 2019
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		319,882	323,223
Right-of-use assets		843,800	804,736
Intangible assets		5,468	3,080
Interest in associates		6,228	8,058
Other non-current financial assets		33,624	13,136
Deferred tax assets		110,745	63,281
Rental deposits		43,388	52,446
Other non-current assets		16,058	3,141
		1,379,193	1,271,101
Current assets			
Inventories		47,372	74,904
Trade and other receivables	7	173,398	156,173
Restricted bank deposits	8	1	25,003
Cash and cash equivalents	8	1,170,411	127,170
Deposits with banks with original maturity date over three months	8	913,440	–
		2,304,622	383,250
Current liabilities			
Trade and other payables	9	316,083	315,494
Contract liabilities		5,668	746
Lease liabilities		295,588	234,053
Bank loans		53,000	220,463
Current taxation		14,944	23,085
		685,283	793,841
Net current assets/(liabilities)		1,619,339	(410,591)
Total assets less current liabilities		2,998,532	860,510

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 – unaudited

(Expressed in Renminbi)

	<i>Note</i>	At 30 June 2020	At 31 December 2019
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Lease liabilities		697,716	663,095
Provisions		20,033	26,739
Deferred tax liabilities		2,622	—
		720,371	689,834
NET ASSETS		2,278,161	170,676
CAPITAL AND RESERVES			
Share capital	11(b)	1	1
Reserves		2,252,064	133,087
Total equity attributable to equity shareholders of the Company		2,252,065	133,088
Non-controlling interests		26,096	37,588
TOTAL EQUITY		2,278,161	170,676

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of Jiumaojiu International Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“**IAS**”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“**IASB**”). It was authorised for issue on 24 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendment to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IFRS 16, *COVID-19-Related Rent Concessions*

Impacts of the adoption of the amended IFRS are discussed below:

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19-related rent concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are restaurant operations, delivery business and sales of specialities in the People's Republic of China (the "PRC").

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers within the scope of IFRS 15:		
Restaurant operations	717,510	1,117,084
Delivery business	219,778	106,014
Sales of specialities	1,273	697
Others	10,946	13,343
	949,507	1,237,138
Disaggregated by timing of revenue recognition		
– Point in time	949,112	1,237,032
– Over time (note)	395	106
	949,507	1,237,138

Note: Initial franchise fee was recognised as revenue over time during the franchise period.

No revenue from individual customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2020 and 2019.

(b) Segment Reporting

The Group manages its businesses by restaurant brands. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments.

- Jiu Mao Jiu: this segment operates restaurants and delivery business offering family-oriented food under Jiu Mao Jiu brand.
- Tai Er: this segment operates restaurants featuring sauerkraut fish under Tai Er Chinese Sauerkraut Fish brand.
- Others: this segment includes restaurants operating in other brands such as Double Eggs, Cooking Spicy Kehab and Uncle Chef, as well as franchise business of Double Eggs.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates, other non-current financial assets, deferred tax assets and other head office or corporate assets. Segment liabilities include lease liabilities, provisions, trade and other payables and contract liabilities attributable to the restaurant operations activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "Non-GAAP Operating Profit", i.e. revenue deducting (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utilities expenses and (vii) delivery service fees.

In addition to receiving segment information concerning Non-GAAP Operating Profit, management is provided with segment information concerning inter segment sales, expense from borrowings managed directly by the segments, net losses on restaurants closures, impairment losses and upfront costs for opening new restaurants used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended	Jiu Mao Jiu		Tai Er		Others		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue								
Revenue from external customers	266,828	682,790	671,718	538,109	10,961	16,239	949,507	1,237,138
Reportable segment (loss)/profit (Non-GAAP Operating Profit)	(41,874)	123,534	52,040	125,284	(2,082)	(7,386)	8,084	241,432
Finance costs	(15,035)	(17,856)	(18,219)	(10,247)	(557)	(956)	(33,811)	(29,059)
(Losses)/gains on restaurants closures, net	(26,806)	1,107	(1,466)	(3,307)	442	(49)	(27,830)	(2,249)
Impairment losses of property, plant and equipment and right-of-use assets	(20,932)	-	(4,924)	-	(2,812)	-	(28,668)	-
Upfront costs for opening new restaurants	(1,151)	(2,606)	(9,762)	(9,650)	-	(1,105)	(10,913)	(13,361)
As at 30 June/31 December								
Reportable segment assets	491,539	844,710	867,583	726,329	23,910	35,963	1,383,032	1,607,002
Reportable segment liabilities	555,204	718,020	690,642	499,922	59,008	52,322	1,304,854	1,270,264

(ii) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Reportable segment profit (Non-GAAP Operating Profit)	8,084	241,432
Other revenue	27,097	1,906
Travelling and related expenses	(6,077)	(5,465)
Listing expenses	(7,344)	(9,850)
Advertising and promotion expenses	(10,935)	(8,333)
Other expenses	(66,656)	(51,283)
Share of (losses)/profits of associates	(7,605)	1,087
Other net losses	(39,392)	(1,889)
Finance costs	(33,811)	(29,059)
Impairment losses of property, plant and equipment and right-of-use assets	(28,668)	—
Interest income on subscription monies received from IPO	36,449	—
Consolidated (loss)/profit before taxation	(128,858)	138,546

(iii) Geographic information

Analysis of the Group's revenue and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as 100% of the Group's operating profit is derived from activities in the PRC during the six months ended 30 June 2020 and 2019.

4 SEASONALITY OF OPERATIONS

The Group's restaurant operations business is subject to seasonal factors. Customer traffic in restaurants is usually higher during the Chinese New Year holidays, peak summer season and National Day holidays than the rest of the year. Any decrease in customer traffic in restaurants during these periods may have an adverse impact on revenue. For the twelve months ended 30 June 2020, the Group reported revenue of RMB2,399,656,000 (twelve months ended 30 June 2019: RMB2,255,468,000).

5 INCOME TAX

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
Provision for PRC income tax for the period	7,407	41,795
Over-provision for the PRC income tax in respect of prior years	(105)	—
	<u>7,302</u>	<u>41,795</u>
Deferred tax		
Origination and reversal of accumulated tax loss and temporary differences	(47,464)	(5,286)
	<u>(40,162)</u>	<u>36,509</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) The subsidiaries in Hong Kong of the Group did not have any other assessable profits for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).
- (iii) Taxable income for the subsidiaries of the Company in the PRC are subject to PRC income tax rate of 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).
- (iv) According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. The withholding tax rate of 10% was applicable for the Group.

6 (LOSS) / EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2020 is based on the loss attributable to equity shareholders of the Company of RMB85,902,000 (six months ended 30 June 2019: profit attributable to equity shareholders of the Company of RMB92,562,000) and the weighted average of 1,344,116,000 shares (six months ended 30 June 2019: 1,000,000,000) in issue during the interim period.

	Six months ended 30 June	
	2020	2019
	shares	shares
Issued shares at 1 January*	1,000,000,000	1,000,000,000
Effect of share issuance	344,116,000	—
Weighted average number of shares at 30 June	1,344,116,000	1,000,000,000

* The number of shares is based on the assumption that the 1,000,000,000 shares (being the number of shares after the subdivision on 15 January 2020 (note 11(b)) of the Company had been issued throughout 2019 and before the IPO on 15 January 2020.

There were no dilutive potential ordinary shares for the six months ended 30 June 2020 and 2019, therefore, diluted (loss)/earnings per share are the same as the basic (loss)/earnings per share.

7 TRADE AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2020	2019
	RMB'000	RMB'000
Trade debtors	17,258	11,922
Other receivables and deposits	92,982	87,779
Interest receivables	7,000	—
Prepayments	34,334	34,234
Amounts due from related parties	21,824	22,238
	173,398	156,173

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis:

As at the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the revenue recognition date, is as follows:

	At 30 June	At 31 December
	2020	2019
	RMB'000	RMB'000
Within 1 month	17,258	11,922

Trade debtors are due within 30 days from the date of revenue recognition.

8 CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Cash on hand	18	47
Cash at bank	2,083,834	152,126
Less: restricted bank deposits	(1)	(25,003)
Less: deposits with banks with original maturity date over three months	(913,440)	—
	<u>1,170,411</u>	<u>127,170</u>

9 TRADE AND OTHER PAYABLES

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Trade payables	95,202	96,807
Other payables and accrued charges	145,755	149,652
Amounts due to related parties	70,014	18,410
Other liabilities	5,112	—
Dividends payable	—	50,625
	<u>316,083</u>	<u>315,494</u>

As at the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Within 1 year	<u>95,202</u>	<u>96,807</u>

10 EQUITY SETTLED SHARE-BASED PAYMENTS

During the six months ended 30 June 2020, the Group has the following share-based payment arrangements:

Restricted Stock Units

The Group's ultimate controlling party, Mr. Guan, operates a share-based incentive scheme under which the restricted stock units ("RSUs") would be granted as share incentives to qualified directors and employees. The RSUs granted would vest on specific dates, on condition that employees remain in service without any performance requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, and free of restrictions on transfer.

As at 30 June 2020, the number of RSUs granted was 15,010,090 (30 June 2019: 30,373,359, based on the assumption that 1,000,000,000 shares were then in issue). During the six months ended 30 June 2020, 490,526 RSUs were vested during the six months ended 30 June 2020 (six months ended 30 June 2019: 10,987,778).

The Group recognised share-based expenses of RMB2,961,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB4,454,000).

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

- (i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period.
- (ii) On 24 September 2019, the Board of Directors of the Company declared interim dividends of RMB50,625,000 to equity shareholders of the Company based on the distributable reserves of RMB50,630,000 in the management account of the Company as at 24 September 2019. Such dividends have been paid in January 2020.

No final dividends were proposed to equity shareholders of the Company attributable to the year ended 31 December 2019.

(b) Share capital

Issued share capital:

	Six months ended 30 June 2020		
	No. of shares	Nominal value of fully paid shares USD	Nominal value of fully paid shares RMB
Ordinary shares, issued and fully paid:			
At 1 January 2020	82.70	82.70	555
Preference shares converted into ordinary shares (note (i))	17.30	17.30	116
At 15 January 2020 before subdivision of shares	<u>100.00</u>	<u>100.00</u>	<u>671</u>
Subdivision of 100 shares on 15 January 2020 at USD0.0000001 each (note (ii))	1,000,000,000	100.00	671
Shares issued upon IPO on 15 January 2020 at USD0.0000001 each (note (iii))	333,400,000	33.34	230
Shares issued upon over-allotment on 12 February 2020 at USD0.0000001 each (note (iii))	50,010,000	5.00	35
At 30 June 2020	<u>1,383,410,000</u>	<u>138.34</u>	<u>936</u>
Preference shares, issued and fully paid:			
At 1 January 2020 (note (i))	17.30	17.30	116
Preference shares converted into ordinary shares (note (i))	(17.30)	(17.30)	(116)
At 15 January 2020	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

- (i) The Company was incorporated in the Cayman Islands on 1 February 2019 with share capital of USD100 divided into 100 shares with a par value of USD1.00 each.

On 22 May 2019, 17.30 shares of the then existing authorised ordinary shares of par value of USD1.00 each were cancelled by the Group in exchange for the allotment of a total of 17.30 preference shares of par value of USD1.00 each. The preference shareholders were, subject to certain limitations, entitled to certain customary special rights including (i) redemption right if the approval on listing of the Company's shares is not obtained by 31 December 2019, (ii) right to appoint one director, (iii) pre-emptive right, (iv) tag-along right, (v) anti-dilution right and (vi) information right. The preference shares were recorded as equity of the Company. All special rights have terminated upon listing.

Upon the Company's shares firstly listed on The Stock Exchange of Hong Kong Limited on 15 January 2020, all 17.30 preference shares have been converted into ordinary shares on a one to one ratio.

- (ii) On 15 January 2020, the 100 ordinary shares of par value of USD1.00 each have been sub-divided into 1,000,000,000 ordinary shares of par value of USD0.0000001 each.
- (iii) The Company newly issued 333,400,000 shares and 50,010,000 shares on 15 January 2020 and 12 February 2020, respectively, at HKD6.60 per share with a par value of USD0.0000001 each. The total gross proceeds from the new shares issued were approximately HKD2,531,012,000 (equivalent to RMB2,244,266,000). The respective share capital amount was USD38.34 (equivalent to RMB265), and share premium was approximately RMB2,135,929,000, net of issuance costs. The issuance costs paid mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB108,337,000 were treated as a deduction against the share premium arising from the issuance.

(c) Reserves

Acquisition of non-controlling interests

During the six months ended 30 June 2020, the Group purchased an additional 20% equity interest of Guangzhou Cong Xin Catering Co., Ltd.* (廣州從心餐飲有限公司), 11% equity interest of Guangzhou Ruizhao Investment Co., Ltd.* (廣州瑞兆投資有限公司) and 0.85% equity interest of Guangzhou Double Eggs Catering Co., Ltd.* (廣州兩顆雞蛋餐飲有限公司) from non-controlling shareholders at considerations of RMB880,000, RMB1,100,000 and RMB35,000, respectively. The difference between the considerations paid and the acquired proportionate interests in identifiable net assets of above subsidiaries of RMB817,000 were recognised as a decrease from retained profits.

- * The official names of these entities are in Chinese. The English translation of the names is for identification only.

12 COMMITMENTS

Capital commitments outstanding at 30 June 2020 not provided for in the Group's interim financial report were as follows:

	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Capital commitments	<u>42,479</u>	<u>65,611</u>

13 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 16 July 2020, the Company, GYH J Limited (the “Vendor”), and MT J Limited and MX J Limited (the “Selling Shareholders”) entered into a placing and subscription agreement with Credit Suisse (Hong Kong) Limited, CMB International Capital Limited and China International Capital Corporation Hong Kong Securities Limited (the “Placing Agents”), pursuant to which, (i) the Vendor agreed to sell, and each Placing Agent severally (not jointly nor jointly and severally) agreed, as agent of the Vendor, to procure on a best effort basis purchasers to purchase, 70,000,000 shares held by the Vendor at a price of HKD11.99 per share; (ii) the Vendor conditionally agreed to subscribe as principal for, and the Company conditionally agreed to issue, 70,000,000 new shares, being equivalent to the number of the subscription shares, at the subscription price, which is equivalent to the placing price of HKD11.99 per share; and (iii) each Selling Shareholder severally agreed to sell, and each Placing Agent severally (not jointly nor jointly and severally) agreed, as agent of each Selling Shareholder, to procure on a best effort basis purchasers to purchase a total of 30,000,000 Sale Shares, representing approximately 2.17% of the issued share capital of the Company as at 30 June 2020 at the price of HKD11.99 per sale share. The completion of the placing, the subscription and the sale took place on 20 July 2020, 30 July 2020 and 20 July 2020, respectively.

14 IMPACTS OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures on operations and cash flows management. These contingency measures include but not limited to: (i) minimizing expenditures and negotiating lower restaurants rentals; (ii) the temporary commencement of delivery operations of limited food items from certain Jiu Mao Jiu restaurants and Tai Er restaurants during the suspension period of our restaurant operations; (iii) the commencement of a gradual resumption of restaurant operations from 18 March 2020; and (iv) revisiting the operational performance of each restaurant, adjusting our future restaurants expansion plan, closing down restaurants with relatively low customer traffic and ceasing to operate Jiu Mao Jiu restaurants located outside Guangdong and Hainan Provinces.

As far as the Group's businesses are concerned, the COVID-19 pandemic has resulted in a significant reduction in turnover and profit from operations for the six months ended 30 June 2020 compared to the same period of last year. On the other hand, as a result of the contingency measures, the Group successfully obtained COVID-19-related rent concessions from certain lessors; however, due to the restaurants closures during the period, the Group recognised net losses on restaurants closures, meanwhile, in view of certain restaurants with unfavourable future prospects as impacted by the pandemic, the Group recognised impairment losses on such restaurants, which has further negatively impacted the Group's profits for the period.

The Group will keep the contingency measures under review as the situation evolves.

OTHER INFORMATION

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

During the six months ended June 30, 2020 and up to the date of this announcement, except for (i) the Global Offering and exercise of the Over-allotment Option (as defined in the prospectus of the Company dated December 30, 2019) in connection with the Listing and (ii) the Subscription (as defined in the announcement of the Company dated July 16, 2020 in relation to the subscription for new shares under the general mandate), neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Compliance with the Corporate Governance Code

The Company's Shares have been listed on the Stock Exchange on January 15, 2020 (the "**Listing Date**").

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules.

The Board is of the view that since the Listing Date, the Company has complied with most of the code provisions as set out in the CG Code, except for the deviation from code provision A.2.1 as explained below.

Mr. Guan is our Chairman of the Board and Chief Executive Officer. Since the founding of our Group in 2005, Mr. Guan has been responsible for formulating our overall business development strategies and leading our overall operations, and therefore has been instrumental to our growth and business expansion. Mr. Guan's vision and leadership have played a pivotal role in our Group's success and achievements to date, and therefore our Board considers that vesting the roles of Chairman and Chief Executive Officer in the same person is beneficial to the management of our Group. While this will constitute a deviation from code provision A.2.1 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our directors; (ii) Mr. Guan and the other directors are aware of and undertake to fulfill their fiduciary duties as directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels.

The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of Chairman of the Board and Chief Executive Officer is necessary.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Group’s code of conduct regarding the Directors’ securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code since the Listing Date to the date of this announcement.

The Board has also established written guidelines on terms no less exacting than the Model Code (the “**Guidelines**”) for securities transactions by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Guidelines by the Company’s relevant employees has been noted since the Listing Date and to the date of this announcement after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As of the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Deng Tao (Chairman), Mr. Zhong Weibin and Mr. Ivan Xu (with Mr. Deng Tao possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

The members of the Audit Committee have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control, risk management and financial reporting matters including the review of the unaudited Interim Results of the Group for the six months ended June 30, 2020.

The unaudited Interim Results of the Group for the six months ended June 30, 2020 have been reviewed by the Company’s external auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.jiumaojiu.com). The interim report of the Company for the six months ended June 30, 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, suppliers and customers of the Company for their continued support and trust. The Board would also like to thank all the employees and management team for executing the Group's strategies with professionalism, integrity and dedication, in particular, during the Epidemic.

By order of the Board
Jiumaojiu International Holdings Limited
Guan Yihong
Chairman

Hong Kong, August 24, 2020

As at the date of this announcement, the Board comprises Mr. Guan Yihong as chairman and executive Director and Mr. Li Zhuoguang, Ms. Cui Longyu and Mr. He Chengxiao as executive Directors, and Mr. Deng Tao, Mr. Zhong Weibin and Mr. Ivan Xu as independent non-executive Directors.