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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors (the "**Board**") of Jiumaojiu International Holdings Limited (九毛九国际控股有限公司) (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended December 31, 2020, together with comparative figures for the year ended December 31, 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 year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Revenue	**2,714,830**	2,687,287
Operating profit[(1)]	**348,165**	481,599
Profit before taxation	**176,608**	259,151
Profit for the year	**138,006**	185,770
Profit for the year attributable to equity Shareholders of the Company	**124,063**	164,414
Adjusted net profit[(2)]	**116,141**	216,600
Final dividend proposed after the end of the year of HKD0.02 per ordinary Share	**24,367**	–
Special dividend proposed after the end of the year of HKD0.02 per ordinary Share	**24,367**	–

Notes:

(1) We define operating profit as revenue for the year 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) transportation and related expenses under "other expenses". We consider this change in definition to be more meaningful to the management for review and analysis purposes. We have updated the comparative figure for the year ended December 31, 2019 accordingly.

(2) We define adjusted net profit as profit for the year adjusted by excluding all non-recurring charges/gains, namely, adding (i) equity-settled share-based payment expenses and (ii) listing expenses, deducting (iii) interest income on subscription monies received from the initial public offering.

KEY OPERATIONAL HIGHLIGHTS

	As of/for the year ended December 31,	
	2020	2019
Number of restaurants [(1)]	**381**	336
Seat turnover rate[(2)]		
Jiu Mao Jiu	**1.7**	2.3
Tai Er	**3.8**	4.8
Average spending per customer ***(RMB)***[(3)]		
Jiu Mao Jiu	**60**	58
Tai Er	**79**	75
Same store sales ***(RMB'000)***[(4)]		
Jiu Mao Jiu	**368,779**	558,390
Tai Er	**886,755**	977,334
Same store sales growth ***(%)***		
Jiu Mao Jiu	**(34.0)**	0.2
Tai Er	**(9.3)**	4.1

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 year.

(3) Calculated by dividing revenue for the period by total customer traffic for the year.

(4) Same store sales for the year refers to the revenue of all restaurants that qualified as same stores during that year. We define our same store base to be those restaurants that opened for at least 300 days in both 2019 and 2020.

BUSINESS REVIEW AND OUTLOOK

Overview

We witnessed both opportunities and challenges in 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 by unprecedented challenges brought by the outbreak of COVID-19 (the "**Pandemic**") since January 2020. Despite the impact of the Pandemic on our operations in 2020, we maintained our market position as a leading Chinese cuisine restaurant brand manager and operator in China. We actively continued to expand our restaurant network in 2020. As of December 31, 2020, we operated 349 restaurants and managed 32 franchised restaurants, covering 60 cities in 21 provinces, four municipalities, the Macau special administrative region in the PRC and Vancouver in Canada.

We achieved significant development in our Song (慫) brand in 2020. In furtherance of the Song brand, we developed Song Chongqing Hot Pot Factory (慫重慶火鍋廠) for brand transformation and expanded our business into the hot pot field. We opened two Song Chongqing Hot Pot Factory restaurants in 2020 and provide customers with a distinctive hot pot dining experience through unique store decoration, menu design, branding and marketing strategies.

Our results of operations in 2020 were adversely affected by the Pandemic. Our revenue increased slightly by 1.0% from RMB2,687.3 million for the year ended December 31, 2019 to RMB2,714.8 million for the year ended December 31, 2020, and our operating profit decreased by 27.7% from RMB481.6 million for the year ended December 31, 2019 to RMB348.2 million for the year ended December 31, 2020, primarily due to the temporary suspension of our restaurant operations in the first half of 2020 as a result of the Pandemic.

The Impact of the Pandemic

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 Pandemic and to safeguard the health and safety of our employees and customers. As the Pandemic in the PRC subsided, the operation of certain restaurants resumed from March 18, 2020. The remaining restaurants gradually resumed operation based on the progress of containment of the Pandemic in the regions where the restaurants are located. All of our restaurants had resumed operation since May 10, 2020.

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 Pandemic on our business operations. We implemented several cost-saving initiatives to reduce costs on rentals as well as staff costs and other operating expenses as follow:

- We have revisited the operational performance of each restaurant and adjusted our future restaurant network expansion plan. We closed down restaurants with relatively low customer traffic and ceased to operate Jiu Mao Jiu restaurants located outside of the Guangdong and Hainan province. A total of 66 self-operated restaurants, comprising 55 Jiu Mao Jiu restaurants, two Tai Er restaurants and nine self-operated Double Eggs restaurants, were closed in 2020 primarily due to the Pandemic and we incurred losses on disposal of assets from restaurant closures of approximately RMB25.8 million.

- We temporarily provided delivery services of selected food items from certain Jiu Mao Jiu restaurants and Tai Er restaurants during the suspension period of dine-in at our restaurant operations.

- We streamlined human resource management of the remaining Jiu Mao Jiu restaurants and reduced approximately on average of 20% of the number of staff for each of the operating Jiu Mao Jiu restaurants. As a result, our staff costs for the year ended December 31, 2020 merely increased by approximately RMB51.1 million (or 7.3%), compared with the year ended December 31, 2019, despite the increase in the number of our self-operated restaurants by 57 in 2020. We also negotiated with certain lessors of our restaurants and obtained rent concessions during the year ended December 31, 2020.

We incurred expenses of approximately RMB3.1 million on COVID-19 prevention and control measures to safeguard the health and safety of our employees and customers and to facilitate smooth resumption of normal operation of our restaurants.

We received total net proceeds of approximately HKD830.0 million from 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), which was completed on July 30, 2020. 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.

Despite the impact of the Pandemic outlined above, we achieved a positive profit for the year of RMB138.0 million and positive operating cash flow of RMB546.1 million for the year ended December 31, 2020. However, it remains difficult to predict the full impact of the Pandemic on the broader economy and how consumer dine-out behavior may be affected, which may impose continuing adverse effect on our results of operations, cash flows and financial condition going forward. The extent to which our operations continue to be impacted by the Pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including, among other things, the possible reemergence and further spread of COVID-19 and the effectiveness of actions and measures undertaken by the government authorities to contain the Pandemic or treat its impact.

Our Directors believe that our liquidity position remains healthy and we possess sufficient cash and banking facilities available to meet our commitments and working capital requirements. For details, see "– Management Discussion and Analysis – Liquidity, Capital Resources and Gearing."

2020 Business and Financial Performance Review

Restaurant network

In 2020, we opened 139 new restaurants, which comprises ten Jiu Mao Jiu restaurants, 109 Tai Er restaurants, two self-operated Double Eggs restaurants, 16 franchised Double Eggs restaurants and two Song Chongqing Hot Pot Factory restaurants. Among our self-operated restaurants, 66 restaurants were closed in 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 Pandemic.

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

	As of December 31,	
	2020	2019
Number of restaurants		
Jiu Mao Jiu	**98**	143
Tai Er	**233**	126
Double Eggs (self-operated)	**14**	21
Double Eggs (franchised)	**32**	44
Song (cold pot skewers)	**1**	1
Song Chongqing Hot Pot Factory	**2**	–
Uncle Chef	**1**	1
Total	**381**	336

Restaurant performance

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

	For the year ended December 31,	
	2020	2019
Revenue ***(RMB'000)***		
Jiu Mao Jiu	**698,320**	1,347,868
Tai Er	**1,960,170**	1,274,616
Double Eggs (self-operated)	**14,425**	20,368
Double Eggs (franchised)[(1)]	**2,438**	26,203
Song (cold pot skewers)	**2,993**	5,399
Song Chongqing Hot Pot Factory	**7,482**	–
Uncle Chef	**9,757**	7,120
Seat turnover rate[(2)]		
Jiu Mao Jiu	**1.7**	2.3
Tai Er	**3.8**	4.8
Double Eggs (self-operated)	**–**	–
Double Eggs (franchised)[(1)]	**–**	–
Song (cold pot skewers)	**2.2**	4.2
Song Chongqing Hot Pot Factory	**2.6**	–
Uncle Chef	**1.6**	1.9
Average spending per customer[(3)] ***(RMB)***		
Jiu Mao Jiu	**60**	58
Tai Er	**79**	75
Double Eggs (self-operated)	**22**	21
Double Eggs (franchised)[(1)]	**22**	20
Song (cold pot skewers)	**61**	56
Song Chongqing Hot Pot Factory	**119**	–
Uncle Chef	**142**	132

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 relevant franchise agreements.

(2) Calculated by dividing total customer traffic by the product of total restaurant operation days and average seat count during the year. Seat turnover rate does not apply to Double Eggs.

(3) Calculated by dividing revenue for the year by total customer traffic for the year.

Revenue from Jiu Mao Jiu and Double Eggs restaurants (self-operated and franchised) decreased primarily due to the temporary suspension of our restaurant operations, reduced customer traffic and restaurant closures during 2020 amid the Pandemic. Revenue from Tai Er and Song increased primarily due to the restaurant network expansion of Tai Er and Song and their increasing popularity among customers. Revenue from Uncle Chef increased primarily due to the increased restaurant operation days of Uncle Chef in 2020 as the Uncle Chef restaurant was opened in June 2019.

The seat turnover rate of our restaurants decreased in 2020, primarily due to the temporary suspension of our restaurant operations and reduced customer traffic during the year amid the Pandemic. Average spending per customer of our restaurants increased as a result of adjustments to menus and dish prices.

Same store sales

The table below sets forth details of our same store sales by brand for the years indicated.

	For the year ended December 31,			
	2020	**2019**	2019	2018
Number of same store[1] *(#)*				
Jiu Mao Jiu	**48**		120	
Tai Er	**68**		32	
Double Eggs (self-operated)	**8**		9	
Song (cold pot skewers)	**1**		–	
Same store sales[2] *(RMB'000)*				
Jiu Mao Jiu	**368,779**	**558,390**	1,139,137	1,136,857
Tai Er	**886,755**	**977,334**	456,684	438,974
Double Eggs (self-operated)	**7,562**	**10,371**	10,715	11,303
Song (cold pot skewers)	**2,993**	**5,399**	–	–
Same store sales growth *(%)*				
Jiu Mao Jiu	**(34.0)**		0.2	
Tai Er	**(9.3)**		4.1	
Double Eggs (self-operated)	**(27.1)**		(5.2)	
Song (cold pot skewers)	**(44.6)**		–	

Notes:

(1) We define our same store base to be those restaurants that opened for at least 300 days in both 2018 and 2019, and in both 2019 and 2020. Figures for Uncle Chef are not available since the only Uncle Chef restaurant opened for less than 300 days in 2019.

(2) Same store sales for the year refer to the revenue of all restaurants that qualified as same stores during that year.

The decrease in same store sales and same store sales growth of our restaurants was primarily attributable to the adverse impact of the Pandemic.

Outlook for 2021

We remain fully devoted to providing marvelous dining experience to our customers through exquisite dishes, high-quality services and unique dining ambience, and with a view to maintaining a strong market position and enhancing our competitiveness, we will continue to implement the following growth strategies:

- ***Replicate our success through further expansion.*** We have been closely monitoring the development of the Pandemic 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 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 in support of our future expansion plan. We also intend to construct and establish a supply chain center in Southern China to enhance our supply chain capabilities in support of our future expansion plan. In addition, we will continue our cooperation 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.*** In 2020, we opened a Tai Er restaurant in Macau in view of its significance in the Guangdong-Hong Kong-Macau Greater Bay Area and as a popular tourist destination. We will continue to carry out comprehensive research into potential overseas target markets and carefully evaluate and select appropriate locations for our expansion to gain international presence. We will prioritize regions with high population of Chinese people, such as Hong Kong, Macau, Singapore, the United States and Canada etc., for our future expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Our revenue increased by 1.0% from RMB2,687.3 million for the year ended December 31, 2019 to RMB2,714.8 million for the year ended December 31, 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 years indicated:

	For the year ended December 31,			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Jiu Mao Jiu	**715,513**	**26.3**	1,371,705	51.1
Tai Er	**1,961,811**	**72.3**	1,277,022	47.5
Others	**37,506**	**1.4**	38,560	1.4
Total	**2,714,830**	**100.0**	2,687,287	100.0

Our revenue from Jiu Mao Jiu decreased by 47.8% from RMB1,371.7 million for the year ended December 31, 2019 to RMB715.5 million for the year ended December 31, 2020 primarily due to the decrease in overall customer traffic as a result of the Pandemic, which was caused by (i) the decrease in the number of Jiu Mao Jiu restaurants from 143 as of December 31, 2019 to 98 as of December 31, 2020 and (ii) the temporary suspension of our restaurant operations in the first half of 2020. Our revenue from Jiu Mao Jiu as a percentage of total revenue decreased from 51.1% for the year ended December 31, 2019 to 26.3% for the year ended December 31, 2020, primarily due to the combined effects of the closures of Jiu Mao Jiu restaurants and an increase in the number of our Tai Er restaurants in 2020.

Our revenue from Tai Er increased by 53.6% from RMB1,277.0 million for the year ended December 31, 2019 to RMB1,961.8 million for the year ended December 31, 2020 primarily due to (i) an increase in the number of Tai Er restaurants from 126 as of December 31, 2019 to 233 as of December 31, 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. The average spending per customer of our Tai Er restaurants increased from RMB75 for the year ended December 31, 2019 to RMB79 for the year ended December 31, 2020 as a result of the adjusted dish prices at the end of 2019. Our revenue from Tai Er as a percentage of total revenue increased from 47.5% in 2019 to 72.3% in 2020, primarily due to the increase in the number of Tai Er restaurants during the year.

Our revenue from other brands decreased slightly by 2.7% from RMB38.6 million for the year ended December 31, 2019 to RMB37.5 million for the year ended December 31, 2020 primarily due to (i) the decrease in the number of our Double Eggs restaurants and (ii) the temporary suspension of our restaurant operations in the first half of 2020, partially offset by (iii) the increase in revenue from the newly-opened restaurants of Song Chongqing Hot Pot Factory in the second half of 2020. Revenue from other brands as a percentage of total revenue remained relatively stable at 1.4% for the years ended December 31, 2019 and 2020.

Revenue by service line

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

	For the year ended December 31,			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
Restaurant operations	**2,213,459**	**81.5**	2,440,796	90.8
Delivery business	**473,792**	**17.5**	213,787	8.0
Sales of specialities	**3,070**	**0.1**	3,596	0.1
Others	**24,509**	**0.9**	29,108	1.1
Total	**2,714,830**	**100.0**	2,687,287	100.0

Revenue from restaurant operations decreased by 9.3% from RMB2,440.8 million for the year ended December 31, 2019 to RMB2,213.5 million for the year ended December 31, 2020, primarily due to the temporary suspension of our restaurant operations in the first half of 2020 as a result of the Pandemic. Revenue from restaurant operations as a percentage of total revenue decreased from 90.8% for the year ended December 31, 2019 to 81.5% for the year ended December 31, 2020, primarily due to (i) the decrease in overall customer traffic as a result of the Pandemic and (ii) the commencement of food delivery services of our Tai Er restaurants since late February 2020.

Revenue from delivery business increased by 121.6% from RMB213.8 million for the year ended December 31, 2019 to RMB473.8 million for the year ended December 31, 2020, primarily due to the commencement of food delivery services of our Tai Er restaurants since late February 2020. As a result, revenue from our delivery business as a percentage of total revenue increased from 8.0% for the year ended December 31, 2019 to 17.5% for the year ended December 31, 2020.

Revenue from sales of specialities decreased by 14.6% from RMB3.6 million for the year ended December 31, 2019 to RMB3.1 million for the year ended December 31, 2020, primarily due to the decrease in overall customer traffic as a result of the Pandemic. Revenue from sales of specialities as a percentage of total revenue remained relatively stable at 0.1% for the years ended December 31, 2019 and 2020.

Revenue from others decreased by 15.8% from RMB29.1 million for the year ended December 31, 2019 to RMB24.5 million for the year ended December 31, 2020, primarily due to a decrease in the number of our franchised Double Eggs restaurants from 44 as of December 31, 2019 to 32 as of December 31, 2020, resulting in a decreased in revenue generated from our franchised Double Eggs restaurants by RMB2.1 million. Revenue from others as a percentage of total revenue decreased slightly from 1.1% for the year ended December 31, 2019 to 0.9% for the year ended December 31, 2020.

Other Revenue

Our other revenue increased by 584.2% from RMB12.3 million for the year ended December 31, 2019 to RMB83.9 million for the year ended December 31, 2020 primarily due to (i) an increase in interest income of approximately RMB27.1 million due to the increase in our interest income on bank deposits and short-term wealth management products, and (ii) an increase in income from super deduction and exemption on value-added tax granted by the relevant government authorities in the PRC of RMB39.9 million.

Raw Materials and Consumables Used

Our raw materials and consumables used increased by 6.1% from RMB985.3 million for the year ended December 31, 2019 to RMB1,045.8 million for the year ended December 31, 2020 as a result of our business expansion. Our raw materials and consumables used as a percentage of revenue increased from 36.7% for the year ended December 31, 2019 to 38.5% for the year ended December 31, 2020, primarily due to 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.

Staff Costs

Our staff costs increased by 7.3% from RMB696.7 million for the year ended December 31, 2019 to RMB747.9 million for the year ended December 31, 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 year ended December 31, 2019 to 27.5% for the year ended December 31, 2020, primarily because of the decrease in revenue amid the Pandemic while we have paid salaries to our employees during the temporary suspension of our restaurant operation in early 2020 as a result of the Pandemic.

Depreciation of Right-of-use Assets

Depreciation of right-of-use assets increased by 11.0% from RMB219.0 million for the year ended December 31, 2019 to RMB243.0 million for the year ended December 31, 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 8.1% for the year ended December 31, 2019 to 9.0% for the year ended December 31, 2020, primarily attributable to the decrease in revenue from restaurant operations due to the temporary suspension of restaurant operations as a result of the Pandemic.

Other Rentals and Related Expenses

Our other rentals and related expenses increased by 12.4% from RMB44.3 million for the year ended December 31, 2019 to RMB49.8 million for the year ended December 31, 2020 primarily due to (i) the increase in variable rent payment as a result of the expansion of our restaurant network, partially offset by (ii) rent concessions received as a result of the Pandemic. Our other rentals and related expenses as a percentage of revenue remained relatively stable at 1.6% and 1.8% for the years ended December 31, 2019 and 2020, respectively.

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets increased by 13.6% from RMB97.4 million for the year ended December 31, 2019 to RMB110.6 million for the year ended December 31 ,2020 primarily due to an increase in restaurant renovation costs resulting from the expansion of our restaurant network. Depreciation and amortization of other assets as a percentage of revenue increased from 3.6% for the year ended December 31, 2019 to 4.1% for the year ended December 31, 2020, primarily because revenue from our restaurant operations decreased as a result of the temporary suspension of restaurant operations due to the Pandemic.

Utilities Expenses

Our utilities expenses decreased by 12.3% from RMB107.9 million for the year ended December 31, 2019 to RMB94.7 million for the year ended December 31, 2020 primarily due to the temporary suspension of restaurant operations resulted from the Pandemic. Our utilities expenses as a percentage of revenue decreased from 4.0% for the year ended December 31, 2019 to 3.5% for the year ended December 31, 2020, primarily because revenue contribution from Tai Er restaurants grew in 2020 and Tai Er restaurants incurred lower utilities expenses compared with our other brands.

Travelling and Related Expenses

Our travelling and related expenses increased by 3.6% from RMB16.1 million for the year ended December 31, 2019 to RMB16.7 million for the year ended December 31, 2020 primarily because our staff traveled more frequently for daily operations as a result of the nationwide expansion of our Tai Er restaurant network in 2020. Our travelling and related expenses as a percentage of revenue remained relatively stable at 0.6% for the years ended December 31, 2019 and 2020.

Listing Expenses

We incurred listing expenses of RMB7.3 million (equivalent to approximately HKD8.3 million), representing 0.3% of our revenue for the year ended December 31, 2020 in relation to the global offering of the Company's shares in connection with the Listing (the "**Global Offering**"), compared with that of RMB23.0 million (equivalent to approximately HKD25.7 million), representing 0.9% of our revenue for the year ended December 31, 2019.

Advertising and Promotion Expenses

Our advertising and promotion expenses increased by 8.4% from RMB19.7 million for the year ended December 31, 2019 to RMB21.4 million for the year ended December 31, 2020, primarily because we organized more marketing campaigns to raise brand awareness. Advertising and promotion expenses as a percentage of revenue increased slightly from 0.7% for the year ended December 31, 2019 to 0.8% the year ended December 31, 2020.

Other Expenses

Our other expenses increased by 22.1% from RMB159.0 million for the year ended December 31, 2019 to RMB194.2 million for the year ended December 31, 2020, primarily due to the increase in professional service fees, upfront costs for opening new restaurants, and transportation and related expenses in line with our business expansion.

Share of Profits/(Losses) of Associates

We incurred share of losses of associates of RMB8.2 million for the year ended December 31, 2020, while we recognized share of profits of associates of RMB1.7 million for the year ended December 31, 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 RMB5.0 million for the year ended December 31, 2019 to RMB28.2 million for the year ended December 31, 2020. Our other net losses incurred in 2020 mainly comprised (i) losses on restaurants closures of RMB25.8 million as we closed 66 self-operated restaurants as a result of the Pandemic, (ii) losses on inventories of RMB3.9 million due to the Pandemic and (iii) donations made amounting to RMB1.2 million in view of the Pandemic.

Finance Costs

Our finance costs increased by 1.1% from RMB66.7 million for the year ended December 31, 2019 to RMB67.4 million for the year ended December 31, 2020 primarily due to an increase in interest on lease liabilities of RMB1.4 million recognized in accordance with IFRS 16 associated with our increasing number of leases as a result of the expansion of our restaurant network.

Income Tax

Our income tax decreased by 47.4% from RMB73.4 million for the year ended December 31, 2019 to RMB38.6 million for the year ended December 31, 2020, primarily due to the decrease in our taxable income. Our effective tax rate decreased from 28.3% for the year ended December 31, 2019 to 21.9% for the year ended December 31, 2020, primarily because the interest income on subscription monies received from the initial public offering was exempted from income tax.

Profit for the Year

As a result of the foregoing, profit for the year decreased by 25.7% from RMB185.8 million for the year ended December 31, 2019 to RMB138.0 million for the year ended December 31, 2020.

Non-IFRS Measures

We adopt the operating profit and operating profit margin, adjusted net profit and adjusted net 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) transportation and related expenses under "other expenses". The following table illustrates our operating profit and operating profit margin by brands for the years indicated:

	For the year ended December 31,			
	2020		2019	
	Operating Profit	**Operating Profit Margin**	Operating Profit	Operating Profit Margin
	RMB'000	***(%)***	*RMB'000*	*(%)*
Jiu Mao Jiu	**32,652**	**4.6**	228,804	16.7
Tai Er	**316,990**	**16.2**	265,746	20.8
Other Brands	**(1,477)**	**(3.9)**	(12,951)	(33.6)
Total	**348,165**	**12.8**	481,599	17.9

Adjusted Net Profit and Adjusted Net Profit Margin

The presentation of adjusted net 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 and share options 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 profit is frequently used by other interested parties when evaluating the performance of a company.

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

	For the year ended December 31,	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**138,006**	185,770
Add:		
Equity-settled share-based payment expenses	**7,240**	7,854
Listing expenses	**7,344**	22,976
Deduct:		
Interest income on subscription monies received from initial public offering	**(36,449)**	–
Adjusted net profit	**116,141**	216,600
Revenue	**2,714,830**	2,687,287
Adjusted net profit margin (%)	**4.3**	8.1

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 sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,	
	2020	2019
	RMB'000	*RMB'000*
Food ingredients	**26,094**	54,985
Condiment product	**12,828**	9,361
Beverage	**1,167**	434
Other materials	**11,005**	10,124
Total	**51,094**	74,904

Our inventories decreased by 31.8% from RMB74.9 million as of December 31, 2019 to RMB51.1 million as of December 31, 2020 primarily because our storage of food ingredients were consumed faster in the second half of 2020 due to the increase in the number of Tai Er restaurants.

Our inventory turnover days in 2019 and 2020, being the average of the beginning and ending inventories for that year divided by raw materials and consumables used for the same period and multiplied by 365 days, was 20.6 days and 22.0 days, respectively. The increase in our inventory turnover days was primarily because the consumption of food ingredients slowed down as a result of the temporary suspension of our restaurant operations in early 2020 as a result of the Pandemic.

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, increased by 51.1% from RMB804.7 million as of December 31, 2019 to RMB1,216.0 million as of December 31, 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 26.6% from RMB11.9 million as of December 31, 2019 to RMB15.1 million as of December 31, 2020, primarily due to the increase in trade debtors due from third party delivery service platforms attributable to 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 period divided by revenue for the same period and multiplied by the number of days in that period, decreased slightly from 2.0 days in 2019 to 1.8 days in 2020.

Trade Payables

Our trade payables primarily consisted of payables to our suppliers. Our trade payables increased by 42.3% from RMB96.8 million as of December 31, 2019 to RMB137.7 million as of December 31, 2020, primarily due to our business expansion. Our trade payables turnover days, being the average of the beginning and ending balances of trade payables for that period divided by raw materials and consumables used for the same period and multiplied by the number of days in that period, increased from 31.4 days in 2019 to 40.9 days in 2020, primarily because we negotiated with our suppliers for the extension of credit term due to the Pandemic.

Capital Structure

Our total assets increased by 190.5% from RMB1,654.4 million as of December 31, 2019 to RMB4,806.5 million as of December 31, 2020. Our total liabilities increased by 17.7% from RMB1,483.7 million as of December 31, 2019 to RMB1,746.0 million as of December 31, 2020. Liabilities-to-assets ratio decreased from 89.7% as of December 31, 2019 to 36.3% as of December 31, 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 3.82 as of December 31, 2020.

Liquidity, Capital Resources and Gearing

For the year ended December 31, 2020, we financed our operations primarily through cash generated from operations, proceeds from the Global Offering and proceeds from the Subscription. We mainly utilized our cash on procurement of food ingredients, consumables and equipment, and restaurant renovations. Our cash and cash equivalents increased by 1,350.0% from RMB127.2 million as of December 31, 2019 to RMB1,843.9 million as of December 31, 2020, primarily attributable to (i) net proceeds from the Global Offering of approximately RMB2,135.9 million and (ii) net proceeds from 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) of approximately RMB748.6 million.

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 1.4% as of December 31, 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 52.0% from RMB184.5 million for the year ended December 31, 2019 to RMB280.5 million for the same period in 2020.

Indebtedness

Bank Loans

As of December 31, 2020, all of our bank loans of RMB43.0 million were repayable within one year or on demand. As of December 31, 2020, banking facilities of the Group totaling RMB100.0 million (As of December 31, 2019: RMB289.0 million) were utilized to the extent of RMB43.5 million (As of December 31, 2019: RMB228.6 million).

Lease Liabilities

Our lease liabilities increased by 43.1% from RMB897.1 million as of December 31, 2019 to RMB1,284.2 million as of December 31, 2020, primarily due to the restaurant network expansion of Tai Er.

Contingent Liabilities

As of December 31, 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 at December 31, 2020, restricted bank deposits of RMB126,000 was restricted for the regulatory inspection by the PRC State Administration of Foreign Exchange, and restricted bank deposits of RMB1,200 were pledged as deposits for POS machine (as of December 31, 2019: RMB25,003,000 for bank loans and POS machines).

Significant Events After the Reporting Period

On March 22, 2021 after trading hours, the Group entered into a state-owned construction land use rights transfer agreement (the "**Land Use Rights Transfer Agreement**") with Guangzhou Municipal Planning and Natural Resources Bureau and a project investment agreement (the "**Project Investment Agreement**") with Guangzhou Nansha Economic and Technological Development Zone Bureau of Commerce. Pursuant to the aforementioned agreements, the Company shall, among others, acquire the land use rights of the parcel of land numbered 2021NGY-2 located at the north side of Hengli Industrial Park Feng Ma Road, Guangzhou, Guangdong Province, the PRC (the "**Land**") and to construct and establish a multifunctional Jiumaojiu National Supply Chain Center Base (九毛九全國供應鏈中心基地) on the Land (the "**Project**"). The Project is expected to be completed within three years from the date of the Land Use Rights Transfer Agreement. Pursuant to the Project Investment Agreement, the total investment amount by the Group in the Project shall be not less than RMB500 million. For details, please refer to the announcement of the Company dated March 22, 2021.

Except as disclosed in this announcement and note 11 to the financial information, there are no material events subsequent to December 31, 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 year ended December 31, 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 and the intended use of proceeds from the Subscription as disclosed in the Company's announcements dated July 16, 2020, July 23, 2020 and July 30, 2020, 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.

Final and Special Dividend

The Board recommends the payment of a final dividend of HKD0.02 per ordinary share and a special dividend of HKD0.02 per ordinary share for the year ended December 31, 2020 (the "**Proposed Final and Special Dividend**") (for the year ended December 31, 2019: Nil). The Proposed Final and Special Dividend are declared and will be paid in Hong Kong dollar. Subject to the approval of shareholders of the Company (the "**Shareholders**") at the annual general meeting to be held on Wednesday, June 2, 2021 (the "**AGM**"), the Proposed Final and Special Dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Friday, June 11, 2021. Payment date of the Proposed Final and Special Dividend will be further announced.

Annual General Meeting

The AGM will be held on Wednesday, June 2, 2021. A notice convening the AGM will be published and dispatched to the Shareholders in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Closure of Register of Members

(a) Entitlement to Attend and Vote at the AGM

For the purpose of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed from Friday, May 28, 2021 to Wednesday, June 2, 2021, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, May 27, 2021.

(b) Entitlement to the Proposed Final and Special Dividend

For determining the entitlement of the Shareholders to receive the Proposed Final and Special Dividend, the Company's register of members will be closed from Wednesday, June 9, 2021 to Friday, June 11, 2021, both dates inclusive, during which period no transfer of share will be registered. In order to be eligible to receive the Proposed Final and Special Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, June 8, 2021.

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 December 31, 2020, the Group had a total of 12,801 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.

Use of Proceeds

Use of Proceeds from the Global Offering

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**	**Percentage of used amount as of March 15, 2021**	**Percentage of unused balance as of March 15, 2021**	**Timeframe for the unused balance**
	(%)	*(In HKD millions)*	*(%)*	*(%)*	
Expand our restaurant network	**77.4**	**1,837.9**	**25.9**	**74.1**	**By the end of 2022**
Open new Jiu Mao Jiu restaurants in 2020 and 2021	7.2	171.9	48.3	51.7	By the end of 2021
Open new Tai Er restaurants in 2020 and 2021	38.6	917.1	41.3	58.7	By the end of 2021
Open new restaurants of other brands in 2020 and 2021	8.1	191.1	7.3	92.7	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**	**18.6**	**81.4**	**By the end of 2023**
Construct and establish a supply chain center in Southern China by 2023	3.2	76.4	–	100.0	By the end of 2023
Renovate our existing central kitchens and upgrading our equipment and facilities	2.4	57.3	43.5	56.5	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**	**38.0**	**62.0**	**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.

Use of Proceeds from the Subscription

The following table sets forth the status of the use of net proceeds from the Subscription:

Intended use of proceeds	**Percentage of intended use of proceeds**	**Intended use of proceeds from the initial public offering**	**Percentage of used amount as of March 15, 2021**	**Percentage of unused balance as of March 15, 2021**	**Timeframe for the unused balance**
	(%)	*(In HKD millions)*	*(%)*	*(%)*	
Invest in suppliers for key raw material	55.0	456.5	13.9	86.1	By the end of 2026
General working capital	30.0	249.0	100.0	–	–
Invest in other companies in the catering industries	15.0	124.5	37.0	63.0	By the end of 2026
Total	**100.0**	**830.0**	**43.2**	**56.8**	**By the end of 2026**

Notes:

1. The figures in the table are approximate figures.

SHARE OPTION SCHEME

A share option scheme was conditionally approved and adopted by our Shareholders on December 6, 2019 (the "**Share Option Scheme**") 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 the 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 at December 31, 2020, the remaining life of the Share Option Scheme is approximately eight years and eleven months.

The table below sets out the details of share options granted and outstanding during the period from January 1, 2020 to December 31, 2020 under the Share Option Scheme:

Name of grantee	Outstanding as at January 1, 2020	Granted during the year	*Date of grant*	Vested during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at December 31, 2020	Exercise price *(HK$ per share)*	Exercise period
Directors										
Li Zhuoguang	–	222,500	Oct 28, 2020	–	–	–	–	222,500	17.98	Oct 28, 2021 – Oct 27, 2023
Cui Longyu	–	222,500	Oct 28, 2020	–	–	–	–	222,500	17.98	Oct 28, 2021 – Oct 27, 2023
He Chengxiao	–	289,200	Oct 28, 2020	–	–	–	–	289,200	17.98	Oct 28, 2021 – Oct 27, 2023
Other employees of the Group										
26 other employees of the Group	–	960,400	Oct 28, 2020	–	–	–	–	960,400	17.98	Oct 28, 2021 – Oct 27, 2023
Total	–	1,694,600		–	–	–	–	1,694,600		

As of December 31, 2020, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 1,694,600, representing 0.12% of the shares of the Company in issue at that date.

The total number of Shares available for grant under the Share Option Scheme was 131,645,400, representing 9.06% 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 year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	2	**2,714,830**	2,687,287
Other revenue	3	**83,928**	12,266
Raw materials and consumables used	4(e)	**(1,045,784)**	(985,314)
Staff costs	4(b)	**(747,850)**	(696,719)
Depreciation of right-of-use assets	4(e)	**(243,044)**	(218,994)
Other rentals and related expenses	4(e)	**(49,810)**	(44,300)
Depreciation and amortisation of other assets	4(e)	**(110,588)**	(97,375)
Utilities expenses		**(94,657)**	(107,873)
Travelling and related expenses		**(16,693)**	(16,103)
Listing expenses	4(e)	**(7,344)**	(22,976)
Advertising and promotion expenses		**(21,399)**	(19,746)
Other expenses	4(d)	**(194,184)**	(159,039)
Share of (losses)/profits of associates		**(8,242)**	1,727
Other net losses	4(c)	**(28,175)**	(4,987)
Finance costs	4(a)	**(67,418)**	(66,681)
Impairment losses of property, plant and equipment and right-of-use assets	4(e)	**(23,411)**	(2,022)
Interest income on subscription monies received from initial public offering ("**IPO**")	4(e)	**36,449**	–
Profit before taxation	4	**176,608**	259,151
Income tax	5	**(38,602)**	(73,381)
Profit for the year		**138,006**	185,770
Attributable to:			
Equity shareholders of the Company		**124,063**	164,414
Non-controlling interests		**13,943**	21,356
Profit for the year		**138,006**	185,770
Earnings per share	6		
Basic		**0.09**	0.16
Diluted		**0.09**	0.16

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 10(d).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2020
(Expressed in Renminbi)

	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**138,006**	185,770
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**3,902**	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the mainland China	**(136,050)**	(291)
Other comprehensive income for the year	**(132,148)**	(291)
Total comprehensive income for the year	**5,858**	185,479
Attributable to:		
Equity shareholders of the Company	**(8,085)**	164,123
Non-controlling interests	**13,943**	21,356
Total comprehensive income for the year	**5,858**	185,479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020
(Expressed in Renminbi)

	Note	31 December 2020	31 December 2019
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**445,031**	323,223
Right-of-use assets		**1,215,952**	804,736
Intangible assets		**11,914**	3,080
Interests in associates		**3,401**	8,058
Other non-current financial assets		**68,338**	13,136
Deferred tax assets		**86,753**	63,281
Rental deposits		**60,274**	52,446
Other non-current assets		**53,078**	3,141
		1,944,741	1,271,101
Current assets			
Inventories	*7*	**51,094**	74,904
Trade and other receivables	*8*	**293,274**	156,173
Restricted bank deposits		**127**	25,003
Cash and cash equivalents		**1,843,903**	127,170
Deposits with banks with original maturity date over three months		**673,312**	–
		2,861,710	383,250
Current liabilities			
Trade and other payables	*9*	**347,560**	315,494
Contract liabilities		**4,065**	746
Lease liabilities		**317,205**	234,053
Bank Loans		**42,950**	220,463
Current taxation		**37,165**	23,085
		748,945	793,841
Net current assets/(liabilities)		**2,112,765**	(410,591)

	Note	31 December 2020	31 December 2019
		RMB'000	*RMB'000*
Total assets less current liabilities		**4,057,506**	860,510
Non-current liabilities			
Lease liabilities		**966,977**	663,095
Provisions		**27,050**	26,739
Deferred tax liabilities		**3,077**	–
		997,104	689,834
NET ASSETS		**3,060,402**	170,676
CAPITAL AND RESERVES			
Share capital	*10(a)*	**1**	1
Reserves	*10(c)*	**3,016,554**	133,087
Total equity attributable to equity shareholders of the Company		**3,016,555**	133,088
Non-controlling interests		**43,847**	37,588
TOTAL EQUITY		**3,060,402**	170,676

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIC OF PREPARATION

(a) Statement of Compliance

The consolidated results set out in this announcement do not constitute the consolidated statements of Jiumaojiu International Holdings Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") for the year ended 31 December 2020 but are extracted from those consolidated financial statements.

This financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. This financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in this financial information.

(b) Basis of preparation of the financial statements

The Company was incorporated in the Cayman Islands on 1 February 2019, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below ("**Reorganisation**"). The Group are principally engaged in restaurant operations, delivery business, sales of specialities and others in the People's Republic of China (the "**PRC**").

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in associates.

Prior to the Reorganisation of the Group, the abovementioned principal activities were carried out by Guangzhou Jiumaojiu Catering Chain Co., Ltd. ("**Guangzhou Jiumaojiu**") and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation. Upon completion of the Reorganisation in 2019, the Company became the holding company of the Group. As Guangzhou Jiumaojiu and its subsidiaries were controlled by the Group's ultimate controlling shareholder, Mr. Guan Yihong (''**Mr. Guan**'') before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting several newly formed investment holding entities with no substantive operations as the new holding companies of Guangzhou Jiumaojiu during the year ended 31 December 2019. The financial statements for the year ended 31 December 2019 have been prepared and presented as a continuation of the financial statements of Guangzhou Jiumaojiu with the assets and liabilities of Guangzhou Jiumaojiu recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and the Group's interest in associates. The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated cash flows statements of the Group for the years ended 31 December 2019 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the year ended 31 December 2019. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the financial statements.

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The financial statements are presented in Renminbi ("**RMB**"), rounded to the nearest thousand except for earnings per share information. The measurement basis used in the preparation of the financial statements is the historical cost basis except that financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit or loss (FVPL) are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

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. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IFRS 3, *Definition of a Business*

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Group of similar identifiable assets.

The adoption of Amendments to IFRS 3 does not have any material impact on the financial position and the financial results of the Group.

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

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 year. 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.

2 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are restaurant operations, delivery business and sales of specialities.

(i) Disaggregation of revenue

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

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15:		
Restaurant operations	**2,213,459**	2,440,796
Delivery business	**473,792**	213,787
Sales of specialities	**3,070**	3,596
Others	**24,509**	29,108
	2,714,830	2,687,287
Disaggregated by timing of revenue recognition		
– Point in time	**2,714,081**	2,686,913
– Over time *(note)*	**749**	374
	2,714,830	2,687,287

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 years ended 31 December 2020 and 2019.

(ii) Revenue expected to be recognised in the future arising from contracts in existence at the reporting date

Contracts within the scope of IFRS 15

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB2,848,000 (31 December 2019: RMB442,000). This amount represents revenue of initial franchise fee expected to be recognised in the future from franchise contracts entered into by the franchisees with the Group and the customer loyalty scheme. The Group will recognise the expected revenue in future over the remaining contract period, which is expected to occur over the next 12 to 36 months.

(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, Song 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 interests 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) transportation and related expenses under "other expenses".

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 years ended 31 December 2020 and 2019 is set out below.

	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	**715,513**	1,371,705	**1,961,811**	1,277,022	**37,506**	38,560	**2,714,830**	2,687,287
Reportable segment profit/(loss) (Non-GAAP Operating Profit)	**32,652**	228,804	**316,990**	265,746	**(1,477)**	(12,951)	**348,165**	481,599
Finance costs	**(27,621)**	(39,534)	**(38,940)**	(25,136)	**(857)**	(2,011)	**(67,418)**	(66,681)
(Losses)/gains on restaurants closures, net	**(21,754)**	(4,956)	**(4,836)**	349	**808**	(2,819)	**(25,782)**	(7,426)
Impairment losses of property, plant and equipment and right-of-use assets	**(10,409)**	(820)	**(9,565)**	(214)	**(3,437)**	(988)	**(23,411)**	(2,022)
Upfront costs for opening new restaurants	**(1,427)**	(2,742)	**(32,124)**	(21,730)	**(993)**	(1,054)	**(34,544)**	(25,526)
Reportable segment assets	**251,223**	844,710	**1,741,373**	726,329	**83,521**	35,963	**2,076,117**	1,607,002
Reportable segment liabilities	**288,945**	718,020	**1,561,147**	499,922	**110,945**	52,322	**1,961,037**	1,270,264

(ii) Reconciliations of reportable segment profit or loss, assets and liabilities

	2020 *RMB'000*	2019 *RMB'000*
Profit		
Reportable segment profit (Non-GAAP Operating Profit)	**348,165**	481,599
Other revenue	**83,928**	12,266
Travelling and related expenses	**(16,693)**	(16,103)
Listing expenses	**(7,344)**	(22,976)
Advertising and promotion expenses	**(21,399)**	(19,746)
Other expenses (other than "Transportation and related expenses")	**(119,252)**	(103,926)
Share of (losses)/profits of associates	**(8,242)**	1,727
Other net losses	**(28,175)**	(4,987)
Finance costs	**(67,418)**	(66,681)
Impairment losses of property, plant and equipment and right-of-use assets	**(23,411)**	(2,022)
Interest income on subscription monies received from IPO	**36,449**	–
Consolidated profit before taxation	**176,608**	259,151

	2020 *RMB'000*	2019 *RMB'000*
Assets		
Reportable segment assets	**2,076,117**	1,607,002
Elimination of inter-segment receivables	**(594,759)**	(118,353)
	1,481,358	1,488,649
Interests in associates	**3,401**	8,058
Other non-current financial assets	**68,338**	13,136
Deferred tax assets	**86,753**	63,281
Unallocated head office and corporate assets	**3,166,601**	81,227
Consolidated total assets	**4,806,451**	1,654,351

	2020 *RMB'000*	2019 *RMB'000*
Liabilities		
Reportable segment liabilities	**1,961,037**	1,270,264
Elimination of inter-segment payables	**(594,759)**	(118,353)
	1,366,278	1,151,911
Current taxation	**37,165**	23,085
Deferred tax liabilities	**3,077**	–
Unallocated head office and corporate liabilities	**339,529**	308,679
Consolidated total liabilities	**1,746,049**	1,483,675

(iii) ***Geographic information***

Analysis of the Group's revenue from external customers as well as analysis of the Group's carrying amount of non-current assets by geographical market has not been presented as over 90% of the Group's operating profit is derived from activities in the PRC.

3 OTHER REVENUE

	2020	2019
	RMB'000	*RMB'000*
Interest income on:		
– bank deposits	**28,202**	1,114
– rental deposits	**2,496**	2,226
– others	**1,993**	612
	32,691	3,952
Income from value-added tax super deduction and exemption *(note (i))*	**48,172**	8,309
Government grants *(note (ii))*	**3,065**	5
	83,928	12,266

Notes:

(i) Income from value-added tax super deduction and exemption represented the super deduction and exemption on value-added tax granted by the government authorities in the PRC.

(ii) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

4 PROFIT BEFORE TAXATION

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

	2020	2019
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on bank loans	**4,093**	2,701
Interest on lease liabilities	**61,716**	60,315
Interest on provisions	**1,393**	1,514
Other finance charges	**216**	2,151
	67,418	66,681
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**733,688**	677,399
Contributions to defined contribution retirement plan	**6,922**	11,466
Equity-settled share-based payment expenses	**7,240**	7,854
	747,850	696,719

To relieve the difficulties encountered by enterprises due to COVID-19 pandemic, pursuant to related policies consented by the State Council of the PRC, subsidiaries of the Company in PRC were entitled to exempt its contribution to the pension insurance, unemployment insurance, and work injury from February 2020 to December 2020.

		2020	2019
		RMB'000	*RMB'000*
(c)	**Other net losses**		
	Losses on restaurants closures, net	**25,782**	7,426
	Gains on reassessment of right-of-use assets	**(1,726)**	(3,753)
	Income on COVID-19 rent concessions	**(2,000)**	–
	Losses on inventories due to COVID-19	**3,923**	–
	Losses on deemed disposal of an associate	**71**	–
	Net foreign exchange losses	**200**	925
	Donations	**1,200**	–
	Others	**725**	389
		28,175	4,987
(d)	**Other expenses**		
	Auditors' remuneration		
	– audit services	**2,500**	2,500
	– non-audit services	**1,420**	482
		3,920	2,982
	Other professional service fees	**41,612**	29,982
	Upfront costs for opening new restaurants	**34,544**	25,526
	Transportation and related expenses	**74,932**	55,113
	Maintenance expenses	**8,444**	11,999
	Cultural activity fees	**1,842**	6,319
	Bank charges	**4,954**	5,139
	Insurance expenses	**1,750**	1,408
	Business development expenses	**4,082**	4,149
	Office expenses	**10,172**	4,195
	Research and development expenses	**709**	990
	Cleaning fees	**5,102**	2,311
	Others	**2,121**	8,926
		194,184	159,039

		2020	2019
		RMB'000	*RMB'000*
(e)	**Other items**		
	Amortisation	**2,215**	1,330
	Depreciation		
	– property, plant and equipment	**108,373**	96,045
	– right-of-use assets	**243,044**	218,994
		351,417	315,039
	Impairment losses *(note (i))*		
	– property, plant and equipment	**9,578**	338
	– right-of-use assets	**13,833**	1,684
		23,411	2,022
	Raw materials and consumables used	**1,045,784**	985,314
	Cost of inventories *(note (ii)) (note 7(b))*	**1,079,627**	1,022,224
	Listing expenses	**7,344**	22,976
	Other rentals and related expenses	**49,810**	44,300
	Interest income on subscription monies received from IPO *(note (iii))*	**(36,449)**	–

Notes:

(i) "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 years ended 31 December 2020 and 2019.

(ii) Cost of inventories includes RMB33,843,000 for the year ended 31 December 2020 (for the year ended 31 December 2019: RMB36,910,000), relating to "staff costs", "depreciation and amortisation expenses", which amount is also included in the respective total amounts disclosed separately above or in note 4(b) for each of these types of expenses.

(iii) During the year ended 31 December 2020, the interest income of RMB36,449,000 arising from the subscription monies locked-up and subsequently refunded to unsuccessful subscribers during the IPO were credited to profit or loss. Interest income of RMB459,000 arising from gross proceeds locked-up and subsequently transferred to the Company's share capital and share premium during the IPO were credited to the Company's share premium.

5 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for the year		
– PRC income tax	**61,312**	78,151
– PRC withholding tax *(note (v))*	**471**	6,469
– Other jurisdictions	**401**	–
Over-provision in respect of prior years	**(105)**	–
	62,079	84,620
Deferred tax		
Origination and reversal of accumulated tax loss and temporary differences	**(24,689)**	(11,239)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**1,212**	–
	(23,477)	(11,239)
	38,602	73,381

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**176,608**	259,151
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**31,238**	66,270
PRC withholding tax *(note (v))*	**471**	6,469
Effect of non-deductible expenses	**3,367**	2,482
Tax effect of unused tax losses and deductible temporary differences not recognised	**2,553**	2,542
Tax effect of using the deductible losses and deductible temporary differences not recognised	**–**	(1,551)
Effect of recognising the deductible losses and temporary differences for which no deferred tax asset was recognised in previous years	**–**	(1,903)
Over-provision in respect of prior years	**(105)**	–
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**1,212**	–
Others	**(134)**	(928)
Actual tax expense	**38,602**	73,381

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 years ended 31 December 2020 (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 years ended 31 December 2020 and 2019, unless otherwise specified below.

Hainan Cong Xin Catering Management Co., Ltd. ("Hainan Cong Xin"), Guangzhou Tai Er Catering Chain Co., Ltd. Hainan Branch, and Haikou Maidian Jiumaojiu Restaurant Management Co., Ltd. met the criteria for enterprises/branches in catering industry established in Hainan Province in the PRC and were entitled to the preferential income tax rate of 15% in 2020.

Tianjin Maidian Jiumaojiu Restaurant Management Co., Ltd., Beijing Tai Er Catering Management Co., Ltd., Hainan Cong Xin, Guangzhou Hongyuantai Catering Management Co., Ltd. ("Hongyuantai Catering"), Guangzhou Jinkai Catering Management Co., Ltd. ("Jinkai Catering"), Guangzhou Zhongxin Catering Management Co., Ltd. * ("Zhongxin Catering"), Beijing Jiujiufa Catering Management Co., Ltd. ("Jiujiufa Catering"), and Shenzhen Fang Xing Wei Ai Catering Management Co., Ltd. met the criteria for small and low profit-making enterprise in the PRC and were entitled to the preferential income tax rate of 10% in 2019.

(iv) The Company's subsidiaries incorporated overseas, other than Hong Kong and the BVI, are subject to overseas profits tax at 3% to 27% (2019: nil) on estimated assessable profit for the year.

(v) According to the Corporate Income Tax Law and its implementation rules, dividends and interest 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 for the years ended 31 December 2020 and 2019.

* Zhongxin Catering has been liquidated in December 2020.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2020 is based on the profit attributable to equity shareholders of the Company of RMB124,063,000 (2019: RMB164,414,000) and the weighted average of 1,393,324,000 shares (2019: 1,000,000,000) in issue during the year.

	2020	2019
	shares	*shares*
Issued shares at 1 January*	**1,000,000,000**	1,000,000,000
Effect of share issuance upon IPO and overallotment *(note 10(a)(iii))*	**363,871,000**	–
Effect of share issuance upon subscription *(note 10(a)(iv))*	**29,453,000**	–
Weighted average number of shares at 31 December	**1,393,324,000**	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 10(a)) of the Company had been issued throughout 2019 and before the IPO on 15 January 2020.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the year ended 31 December 2020 and 2019, therefore, diluted earnings per share are the same as the basic earnings per share for the year ended 31 December 2020 and 2019.

7 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2020	*2019*
	RMB'000	*RMB'000*
Condiment product	**12,828**	9,361
Food ingredients	**26,094**	54,985
Beverage	**1,167**	434
Other materials	**11,005**	10,124
	51,094	74,904

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	*2019*
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,079,627**	1,022,224

8 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade debtors	**15,089**	11,922
Other receivables and deposits	**126,815**	87,779
Interests receivables	**2,780**	–
Prepayments	**73,431**	34,234
Amounts due from related parties	**75,159**	22,238
	293,274	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:

	2020 RMB'000	2019 RMB'000
Within 1 month	**15,089**	11,922

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

9 TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**137,731**	96,807
Other payables and accrued charges	**185,930**	149,652
Amounts due to related parties	**17,470**	18,410
Consideration payable for acquisition of a subsidiary	**1,049**	–
Consideration payable for acquisition of non-controlling interests	**1,500**	–
Dividends payable	**3,880**	50,625
	347,560	315,494

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:

	2020 RMB'000	2019 RMB'000
Within 1 year	**137,731**	96,807

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Issued share capital:

	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	**100.00**	**100.00**	**671**
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**
Shares issued upon subscription on 30 July 2020 at USD0.0000001 each *(note (iv))*	**70,000,000**	**7.00**	**49**
At 31 December 2020	**1,453,410,000**	**145.34**	**985**
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	**–**	**–**	**–**

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.

(iv) On 30 July 2020, 70,000,000 ordinary shares were issued and subscribed at a price of HKD11.99 per share. The total gross proceeds from the new shares issued were approximately HKD839,300,000 (equivalent to RMB757,015,000). The respective share capital amount was USD7.00 (equivalent to RMB47), and share premium was approximately RMB748,629,000, net of issuance costs. The issuance costs paid mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB8,386,000 were treated as a deduction against the share premium arising from the issuance.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

The Company

	Note	Share capital *RMB'000*	Share premium *RMB'000*	Share-based payment reserve *RMB'000*	Exchange reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*
At 1 February 2019 (date of incorporation)		1	–	–	–	–	1
Profit for the year		–	–	–	–	37,503	37,503
Dividends declared	*10(d)*	–	–	–	–	(50,625)	(50,625)
At 31 December 2019 and 1 January 2020		1	–	–	–	(13,122)	(13,121)
Profit for the year		–	–	–	–	50,269	50,269
Other comprehensive income		–	–	–	(164,332)	–	(164,332)
Equity settled share-based transactions		–	–	996	–	–	996
Issuance of ordinary shares upon IPO and over-allotment, net of issuance costs		–*	2,135,929	–	–	–	2,135,929
Issuance of ordinary shares upon subscription, net of issuance costs		–*	748,629	–	–	–	748,629
At 31 December 2020		1	2,884,558	996	(164,332)	37,147	2,758,370

* The amount represents amount less than RMB1,000.

(c) Nature and purposes of reserves

(i) Capital reserve

The capital reserve as at 1 January 2019 represented an aggregate amount of the paid-in capital and capital reserve of all the companies now comprising the Group at the respective dates that was recorded as capital reserve, after elimination of investments in subsidiaries.

Arising from Reorganisation

During the year ended 31 December 2019, as part of the Reorganisation, according to an equity transfer agreement dated on 5 June 2019, Jiumaojiu (Guangzhou) Holdings Limited ("JMJ Holdings") acquired 100% equity interest of Guangzhou Jiumaojiu at consideration of RMB180,000,000. The consideration was settled by 28 November 2019. As a result of the transfer, Guangzhou Jiumaojiu became a wholly-owned subsidiary of JMJ Holdings. The consideration paid to original shareholders was treated as deemed distribution from the Group.

Acquisition of non-controlling interests

During the year ended 31 December 2019, the Group purchased an additional 15%, 8%, 15%, 15%, 15%, 15% and 20% equity interest of Jinkai Catering, Zhongxin Catering, Hongyuantai Catering, Guangzhou Baoying Catering Management Co., Ltd., Hainan Cong Xin, Jiujiufa Catering and Guangzhou Xi Qin Catering Management Co., Ltd. ("Xi Qin Catering") from non-controlling shareholders at consideration of RMB1,009,000, RMB192,000, RMB1,849,000, RMB78,000, RMB450,000, RMB540,000 and nil, respectively. The difference between the considerations paid and the acquired proportionate interests in identifiable net assets of above subsidiaries of RMB427,000 were recognised as an increase from retained profits.

During the year ended 31 December 2020, the Group purchased an additional 20.00%, 0.85%, 8.50%, and 15.00% equity interest of Guangzhou Cong Xin Catering Co., Ltd. , Guangzhou Double Eggs Catering Co., Ltd., Guangzhou Uncle Chef Catering Management Co., Ltd., and Guangzhou Haoqixiong Catering Co., Ltd. from non-controlling shareholders at consideration of RMB880,000, RMB35,000, RMB120,000, and RMB1,500,000, respectively. The difference between the considerations paid and the acquired proportionate interests in identifiable net assets of above subsidiaries of RMB248,000 was recognised as a deduction from retained profits.

Disposal of interests in subsidiary without a change in control

During the year ended 31 December 2020, the Group disposed 20% and 0.1% equity interest of Xi Qin Catering to non-controlling shareholders at consideration of RMB10,000 in aggregate. The difference between the consideration obtained and the disposed proportionate interests in identifiable net assets of the above subsidiary of RMB2,000 was recognised as an increase in capital reserve.

(ii) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of RSUs and unexercised share options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

(iv) Statutory reserve

Statutory reserves are established in accordance with the PRC Company Law and the Articles of Association of the companies comprising the Group which are incorporated in the PRC.

Appropriations to the reserves were required to allocate 10% of their profits after tax until the reserves reach 50% of their respective registered capital.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(v) Exchange reserve

The exchange reserve comprise all foreign exchange differences arising from the translation of the financial information of operations with functional currency other than RMB.

(vi) Fair value reserves (non-recycling)

The fair value reserves (non-recycling) include post-tax accumulated gains or losses arising from the remeasurement of the unlisted equity securities designated at FVOCI (non-recycling).

(d) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020	2019
	RMB'000	*RMB'000*
Final dividend proposed after the end of the year of HKD0.02 per ordinary share (2019: nil)	**24,367**	–
Special dividend proposed after the end of the year of HKD0.02 per ordinary share (2019: nil)	**24,367**	–
	48,734	–

Final dividend and special dividend proposed after the end of the year have not been recognised as liabilities as at the end of the year.

No interim dividends were proposed to equity shareholders of the Company attributable to the interim period during the year ended 31 December 2020.

(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.

(e) Distributability of reserves

As at 31 December 2020, the aggregate amount of distributable reserves of the Company, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB2,758,369,000 (31 December 2019: nil).

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group's overall strategy remains unchanged throughout the years ended 31 December 2020 and 2019. The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities over its total assets, as at 31 December 2020 was 36% (31 December 2019: 90%).

11 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 22 March 2021, JMJ Holdings, an indirect wholly-owned subsidiary of the Company, entered into a land use rights transfer agreement with Guangzhou Municipal Planning and Natural Resources Bureau (the "**the Land Use Rights Transfer Agreement**") and a project investment agreement with Guangzhou Nansha Economic and Technological Development Zone Bureau of Commerce (the "**Project Investment Agreement**"). Pursuant to the aforementioned agreements, JMJ Holdings shall acquire the land use rights of a parcel of land numbered 2021NGY-2 located at the north side of Hengli Industrial Park Feng Ma Road, Guangzhou, Guangdong Province, the PRC (the "**Land**"), and to construct and establish a multifunctional national supply chain center base ("**Jiumaojiu National Supply Chain Center Base**") on the Land (the "**Project**"). The Project is expected to be completed within three years from the date of the Land Use Rights Transfer Agreement. Pursuant to the Project Investment Agreement, the total investment amount by the Group in the Project shall be not less than RMB500 million, which includes the costs of the acquisition of land use rights of RMB22,910,000 pursuant to the Land Use Rights Transfer Agreement, and the costs of the construction and establishment of Jiumaojiu National Supply Chain Center Base.

12 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed in 2020.

13 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Group to be GYH J Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Guan.

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 in early 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 year, 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 year.

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

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR BEGINNING ON OR AFTER 31 DECEMBER 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, and a new standard, IFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

OTHER INFORMATION

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

During the year ended December 31, 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, (ii) the Subscription and (iii) the grant of a total of 1,694,600 share options to subscribe for a total of 1,694,600 ordinary shares of the Company as disclosed in the announcement of the Company dated October 28, 2020, 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 Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2020. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members and the Company's auditor, KPMG, Certified Public Accountants (the "**Auditor**"), and discussed matters with respect to internal controls with senior management members. Based on this review and discussions with the management and the Auditor, the Audit Committee was satisfied that the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2020.

Scope of Work of KPMG

The financial figures in respect of the Group's consolidated statement of financial position as at December 31, 2020, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been compared by the Auditor, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other 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 Auditor.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Stock Exchange (*www.hkexnews.hk*) and the website of the Company (*www.jiumaojiu.com*). The annual report of the Company for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders 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.

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

Hong Kong, March 23, 2021

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.