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## **Jiujiuwang Food International Limited**

**久久王食品国际有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1927)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **FINANCIAL HIGHLIGHTS**

For the year ended 31 December 2020, revenue was approximately RMB401,232,000 (2019: approximately RMB414,082,000), representing a year-on-year decrease of 3.1%.

For the year ended 31 December 2020, gross profit was approximately RMB127,757,000 (2019: approximately RMB130,404,000), representing a year-on-year decrease of 2.0%.

For the year ended 31 December 2020, profit attributable to owners of the Company was approximately RMB44,078,000 (2019: approximately RMB43,196,000), representing a year-on-year increase of 2.0%, mainly due to the decrease of listing expenses, which are non-recurring in nature. The adjusted net profit<sup>Note</sup> was approximately RMB45,521,000 for the year ended 31 December 2020.

For the year ended 31 December 2020, basic earnings per share of the Company were RMB7.4 cents (2019: RMB7.3 cents).

The Board has resolved not to declare any final dividend for the year ended 31 December 2020.

*Note:* The adjusted net profit represents the Group’s profit excluding the effect of listing expenses.

The board (the “Board”) of directors (the “Directors”) of Jiujiuwang Food International Limited (the “Company”) is pleased to announce the annual results of the Company and its subsidiaries (collectively, the “Group”, “We” and “Our”) for the year ended 31 December 2020 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2019 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*FOR THE YEAR ENDED 31 DECEMBER 2020*

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
Revenue	6	<b>401,232</b>	414,082
Cost of sales		<u>(273,475)</u>	<u>(283,678)</u>
Gross profit		<b>127,757</b>	130,404
Other income, gain or (loss), net	7	<b>406</b>	211
Selling expenses		<b>(33,954)</b>	(32,477)
Administrative expenses		<b>(20,398)</b>	(24,467)
Finance costs	8	<u>(13,634)</u>	<u>(14,470)</u>
Profit before taxation	9	<b>60,177</b>	59,201
Taxation	10	<u>(16,099)</u>	<u>(16,005)</u>
<b>Profit for the year</b>		<u><b>44,078</b></u>	<u>43,196</u>
<b>Profit for the year attributable to owners of the Company</b>		<b>44,078</b>	43,196
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference translation of foreign operations		<u>518</u>	<u>319</u>
Other comprehensive income for the year, net of tax		<u>518</u>	<u>319</u>
Total comprehensive income for the year attributable to owners of the Company		<u><b>44,596</b></u>	<u>43,515</u>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents)	12	<u><b>7.4</b></u>	<u>7.3</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2020*

	<i>Notes</i>	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>233,500</b>	240,259
Right-of-use assets		<b>23,406</b>	23,985
Deferred tax assets		<b>120</b>	257
		<b>257,026</b>	264,501
<b>Current assets</b>			
Inventories		<b>81,199</b>	73,791
Trade receivables	<i>13</i>	<b>97,370</b>	105,616
Prepayments and other receivables		<b>45,410</b>	9,411
Cash and cash equivalents		<b>28,468</b>	37,684
		<b>252,447</b>	226,502
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>14</i>	<b>5,067</b>	18,931
Accruals and other payables		<b>11,083</b>	12,163
Contract liabilities		<b>1,056</b>	2,746
Bank borrowings		<b>218,920</b>	225,000
Bills payable	<i>14</i>	<b>–</b>	5,000
Amount due to a director		<b>8,309</b>	7,575
Tax payables		<b>4,374</b>	3,520
		<b>248,809</b>	274,935
<b>Net current assets/(liabilities)</b>		<b>3,638</b>	(48,333)
<b>Total assets less current liabilities</b>		<b>260,664</b>	216,068
<b>Net assets</b>		<b>260,664</b>	216,068
<b>EQUITY</b>			
Share capital		<b>350</b>	350
Reserves		<b>260,314</b>	215,718
<b>Total equity</b>		<b>260,664</b>	216,068

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2020

### 1. GENERAL INFORMATION

Jiujiuwang Food International Limited was incorporated in the Cayman Islands on 21 February 2017 as an exempted company with limited liability under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Haisen International Limited, Jianeng International Limited and XIEJIA LIMITED are the substantial shareholders of the Company. Its registered office is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands and its principal place of business in is located at PRC.

The Company acts as an investment holding company. The Group principally engages in manufacture and sell confectionary products, such as aerated candies, gum-based candies, hard candies, tablet candies and chocolate-made products.

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

### 2. REORGANISATION AND BASIS OF PRESENTATION

Under a group reorganization scheme to rationalize the structure of the Group in preparation for the listing of the Company’s share on The Stock Exchange of Hong Kong Limited, the following steps were taken place:

#### 1. *Incorporation of the Company, subsequent issue and allotment of Shares*

On 21 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. The initial authorised share capital of the Company was US\$50,000 divided into 500,000 Shares of par value of US\$0.1 each.

On the same date, one initial Share of US\$0.1 was allotted and issued to Sertus Nominees (Cayman) Limited, the initial subscriber, which then transferred such Share to Jianeng International Limited (佳能國際有限公司) (“Jianeng”), the investment holding vehicle solely owned by Mr. Zheng Zhenzhong on the same date.

On the same date, our Company allotted and issued 149,999 and 175,000 Shares at par value to Jianeng, which is solely owned by Mr. Zheng Zhenzhong, and Haisen International Limited (晦森國際有限公司) (“Haisen”), which is solely owned by Mr. Zheng Guodian, respectively.

On 17 November 2017, our Company further allotted and issued 175,000 Shares at par value, representing 35% of the enlarged issued share capital of our Company to XIEJIA LIMITED (“Xiejia”), which is solely owned by Mr. Zheng Guosi.

After the aforesaid allotment and issue of Shares, our Company was owned as to 30% by Jianeng, 35% by Xiejia and 35% by Haisen.

As part of our Reorganisation, our Company subsequently further increased its authorised share capital to US\$51,546.4 and allotted and issued 15,464 shares at a par value of US\$0.1 in our Company to APOC. On 5 October 2018, our Company allotted and issued 15,464 shares, credited as fully paid, to APOC. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

2. *Incorporation of Junwo International Limited (“Junwo”)*

On 24 May 2017, Junwo was incorporated in Hong Kong with limited liabilities. The issued share capital of Junwo was HK\$10,000 divided into 10,000 ordinary shares. Upon incorporation, 10,000 shares were issued and allotted to our Company and since then Junwo has been wholly owned by our Company.

3. *Establishment of Jinjiang Coolsa Food Limited (“Coolsa Food”)*

On 10 April 2017, Coolsa Food was established under the laws of PRC with limited liability with a registered capital of RMB5,000,000 and was owned as to 65% by Mr. Zheng Zhenzhong and 35% by Mr. Zheng Guodian.

On 20 November 2017, Mr. Zheng Zhenzhong transferred 35% equity interest in Coolsa Food to Mr. Zheng Guosi at nil consideration. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed on 4 December 2017.

Upon completion at the aforesaid transfer, Coolsa Food was owned as to 30% by Mr. Zheng Zhenzhong, 35% by Mr. Zheng Guodian and 35% by Mr. Zheng Guosi.

4. *Acquisition of 3% equity interest in Coolsa Food by APOC HK*

On 12 January 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with APOC HK, an Independent Third Party and a passive investor, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred 0.9%, 1.05% and 1.05% equity interest in Coolsa Food to APOC HK for a consideration of RMB45,000, RMB52,500 and RMB52,500 respectively, which were determined with reference to the appraised net asset value of Coolsa Food as at 30 June 2017. The considerations were settled on 17 April 2018.

APOC HK is a company incorporated in Hong Kong with limited liabilities and wholly owned by APOC, a company incorporated in the BVI with limited liabilities, which is in turn solely owned by Mr. Lee, as a passive investor. Such transactions were properly and legally completed on 31 January 2018.

5. *Acquisition of 97% equity interest in Coolsa Food by Junwo from Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi*

On 14 September 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Junwo, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Coolsa Food to Junwo at a consideration of RMB1,455,000, RMB1,697,500 and RMB1,697,500 respectively determined with reference to the then net asset value of Coolsa Food. The consideration was settled on 29 December 2019. Our PRC Legal Advisers have confirmed that such transactions were properly and legally completed and settled on 14 September 2018. Upon completion of the aforesaid transfers on 14 September 2018, Coolsa Food was owned to 97% by Junwo and 3% by APOC HK.

6. *Subscription of shares by APOC*

On 5 October 2018, APOC entered into the Investment Agreement with our Company, Jianeng, Haisen and Xiejia, pursuant to which our Company increased its authorised share capital from US\$50,000 to US\$51,546.4 by the creation of 15,464 Shares and issued and allotted the same at a par value of US\$0.1 each, credited as fully paid, to APOC, representing approximately 3% of the enlarged issued share capital of our Company at a consideration of RMB4,000,000, which was determined with reference to the historical financial results of our Group. This transaction was subject to the satisfaction of two conditions subsequent, namely (i) the transfer of 3% equity interest in Coolsa Food held by APOC HK to Junwo at a consideration of RMB150,000; and (ii) the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food. For details, please refer to the section headed “History, development and Reorganisation — Pre-IPO Investment” in the Prospectus. Upon completion of the aforesaid allotment of Shares, our Company was owned as to approximately 29.1% by Jianeng, approximately 33.95% by Xiejia, approximately 33.95% by Haisen and approximately 3% by APOC.

7. *Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK*

On 5 October 2018, for the purpose of fulfilling the condition subsequent (i) mentioned above, APOC HK transferred all of its equity interest in Coolsa Food, i.e. 3%, to Junwo at a consideration of RMB150,000, which was determined with reference to the capital contribution by APOC HK in Coolsa Food. The consideration was settled on 2 March 2019. Our PRC Legal Advisers have confirmed that such transaction was properly and legally completed and settled on 17 October 2018.

Upon completion of the aforesaid transfer, Coolsa Food was owned by Junwo as to 100% and became a wholly owned subsidiary of our Company.

8. *Acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food*

On 22 October 2018, for the purpose of fulfilling the condition subsequent (ii) mentioned in the paragraph headed “7. Acquisition of 3% equity interest in Coolsa Food by Junwo from APOC HK” above, being the acquisition of 100% equity interest in Jiujiuwang Food by Coolsa Food, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Coolsa Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Food to Coolsa Food at a consideration of RMB24,000,000, RMB28,000,000 and RMB28,000,000 respectively determined with reference to their respective capital contribution in Jiujiuwang Food. Jiujiuwang Food declared dividend of RMB80.0 million to Coolsa Food on 28 December 2018, and such dividend was paid to Coolsa Food in several instalments on 29 December 2018, 3 January 2019 and 4 January 2019. Coolsa Food in turn settled the consideration to Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Zheng Guodian on 29 December 2018, 3 January 2019 and 4 January 2019, respectively. Such transaction was properly and legally completed on 25 October 2018.

9. *Acquisition of Jiujiuwang Co Limited (“Jiujiuwang Co”) by Jiujiuwang Food*

On 29 December 2018, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi entered into an equity transfer agreement with Jiujiuwang Food, pursuant to which, each of Mr. Zheng Zhenzhong, Mr. Zheng Guodian and Mr. Zheng Guosi transferred all of their respective equity interest in Jiujiuwang Co, i.e. 20%, 40% and 40%, to Jiujiuwang Food at nil consideration. Such transactions were properly and legally completed on 4 January 2019.

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited with effect from 16 March 2021.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to Reference to Conceptual Framework in HKFRSs and the following HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020:

Amendments HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performances for the current and prior years and on the disclosures set out in these consolidated financial statements.

#### New and amendments to HKFRSs in issue not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Costs to fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

##### Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRSs 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.

#### 5. OPERATING SEGMENT

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker in order to allocate resources and assess performance of the segment. During the year ended, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, do not contain profit or loss information of each product line or geographical area and the executive directors reviewed the financial result of the Group as a whole report under HKFRSs.

The Group currently operates one operating segment which is revenue from sale of the confectionary products. Accordingly, the Group does not have separately reportable segments.

##### Geographical information

The Group’s operations and non-current assets are located in the PRC. Information about the revenue based on the geographical locations of the customers are detailed below:

	<b>2020</b>	2019
	<b>RMB’000</b>	RMB’000
PRC	<b>365,837</b>	365,339
Asia (excluding PRC) ( <i>Note 1</i> )	<b>12,319</b>	15,623
Europe ( <i>Note 2</i> )	<b>21,129</b>	28,626
Others ( <i>Note 3</i> )	<b>1,947</b>	4,494
	<b>401,232</b>	414,082

*Notes:*

- (1) Included Philippines, United Arab Emirates, Palestine, Korea, Kuwait, Indonesia, Mongolia and Vietnam.



- (2) Included Germany, Poland, the United Kingdom, Ukraine, Lithuania, Czech Republic, Denmark, Spain, Italy and Belgium.
- (3) Included Australia, Argentina, Brazil, Canada, Ecuador, the United States and Mexico.

### Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the year ended 31 December 2019 and 31 December 2020 are as follow:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Customer A	<b>86,375</b>	98,733
Customer B	<b>45,004</b>	46,647

As at 31 December 2019 and 31 December 2020, 54.6% and 55.7% respectively of the Group's trade receivable were due from those customers.

## 6. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, less discount and other allowance for the year, and is analysed as follow:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Analysed by type of products		
OEM products	<b>173,460</b>	202,689
Own-branded products		
— Coolsa	<b>183,811</b>	170,274
— Lalabo	<b>36,053</b>	34,084
— Jiujiuwang	<b>7,908</b>	7,035
Sale of good, recognised at a point in time	<b>401,232</b>	414,082

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 31 December 2019 and 31 December 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

## 7. OTHER INCOME, GAIN OR (LOSS), NET

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	<b>173</b>	68
Exchange (loss)/gain	<b>(404)</b>	6
Rental income	<b>29</b>	52
Government grants	<b>198</b>	85
Loss on disposal of property, plant and equipment	<b>(139)</b>	–
Reversal of allowance for expected credit losses on trade receivables	<b>549</b>	–
	<b>406</b>	211

## 8. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expenses on — bank borrowings wholly repayable within five years	<u>13,634</u>	<u>14,470</u>

## 9. PROFIT BEFORE TAXATION

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditors' remuneration	600	16
Cost of inventories recognised as an expenses	213,214	232,499
Depreciation of property, plant and equipment	16,533	17,437
Depreciation of right-of-use assets	579	579
Employee benefit expenses (including directors' emoluments)	45,065	42,499
Net allowance for expected credit losses on trade receivables	(549)	248
Listing expenses	<u>1,443</u>	<u>7,455</u>

## 10. TAXATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	15,962	16,067
Deferred taxation	<u>137</u>	<u>(62)</u>
Total tax expenses for the year	<u>16,099</u>	<u>16,005</u>

### Hong Kong

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising from Hong Kong during the year (2019: Nil).

### The PRC

The PRC Enterprise Income Tax (“PRC EIT”) is calculated at the applicable tax rates in accordance with the relevant laws and regulations in the PRC.

Under the PRC Enterprise Income Tax Law (the “EIT Law”) and Implementation Regulations of the EIT Law, the tax rate of a PRC subsidiary is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 11. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

## 12. EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted loss per share	<u><b>44,078</b></u>	<u>43,196</u>
	<b>2020</b> <i>'000</i>	2019 <i>'000</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><b>594,000</b></u>	<u>594,000</u>

Weighted average number of ordinary shares are on the basis of 594,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of capitalisation issue as described in the section headed "Share Capital" set out in the Prospectus date 26 February 2021.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the years ended 31 December 2020 and 2019.

## 13. TRADE RECEIVABLES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	<b>97,850</b>	106,645
Less: allowance for expected credit losses	<u>(480)</u>	<u>(1,029)</u>
	<u><b>97,370</b></u>	<u>105,616</u>

The Group's trade receivables are attributable to a number of independent customers with credit terms. The Group normally allows a credit period of 0 days to 180 days to its customers.

Ageing analysis of trade receivables (net of allowance for expected credit losses) presented, based on invoice date, as at the end of each of the reporting periods is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 30 days	<b>37,174</b>	35,808
31–60 days	<b>29,767</b>	22,765
61–90 days	<b>18,011</b>	26,756
91–180 days	<b>12,418</b>	20,287
181–365 days	–	–
Over 365 days	–	–
	<u><b>97,370</b></u>	<u>105,616</u>

Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit limit to each customer on an individual basis. Credit limited attributed to customers are reviewed when necessary. All of the Group's trade receivables that are past due but not impaired have no history of defaulting on repayment. As at 31 December 2019 and 2020, the Group does not charge interest nor hold any collateral over the balances.

#### 14. TRADE PAYABLES AND BILLS PAYABLE

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 30 days	<b>3,724</b>	16,997
31–60 days	<b>1,343</b>	1,934
61–90 days	–	–
91–180 days	–	–
181–365 days	–	–
Over 365 days	–	–
	<u><b>5,067</b></u>	<u>18,931</u>

Credit periods of trade payables normally granted by its suppliers were up to 60 days.

During the year ended 31 December 2019, the bills payable amounting to approximately RMB5,000,000 were secured by pledged bank deposits of approximately RMB5,000,000. The bills payable were with maturity period within 1 year.

#### 15. EVENTS AFTER THE REPORTING DATE

On 16 March 2021, the Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited, pursuant to which 78,536,000 shares were issued by the Company to existing shareholders by way of capitalization from the share premium account and 198,000,000 shares were issued by the Company's initial public offering at the offer price of HK\$0.75 per share. The gross proceeds and the estimated net proceeds amounted to approximately HK\$148,500,000 and HK\$79,000,000 according to the information discussed in "Future plans and use of proceeds" in the Prospectus dated 26 February 2021, respectively.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY OVERVIEW**

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures including travel restrictions to control the COVID-19 epidemic. Local authority in Fujian Province required enterprises to delay the resumption of work from the Chinese Lunar New Year in 2020 to not earlier than the mid-night of 9 February 2020. Our Group has resumed normal production level in early March 2020. Our Group has implemented various measures in response to the COVID-19 epidemic. In light of the COVID-19 epidemic and the travel and traffic restrictions, the sales of our products to OEM customers decreased for the first half year of 2020, which would have an adverse impact on our operation and financial performance. In the second half of 2020, the sales of our group has been rebounded.

Our Directors confirm that as at the date of this report, there had been no material impact on the supply of products and/or raw materials to our Group, due to the outbreak of COVID-19.

### **BUSINESS REVIEW**

We are a confectionary products manufacturer in the PRC. We manufacture and sell confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We generally source raw materials from our suppliers, manufacture and package our confectionary products at our in-house production facilities, and either (i) sell our products under brands owned or licenced by our OEM customers in the PRC and to overseas countries or (ii) sell our products under our own brands, namely Coolsa (酷莎), Lalabo (拉拉卜) and Jiujiuwang (久久王), to distributors and end-consumers in the PRC. We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. Our factory is located in Jinjiang City, Fujian Province with a large site area, with number of production lines to produce large number of tones of our products.

During the year ended 31 December 2020, our business operation remained stable during the first half year of 2020 and has been improved in the second half of 2020. There was no material change to our general business model during the year.

### **PROSPECT**

Our business objective is to strive to achieve sustainable growth and further enhance our position as a manufacturer of confectionary products in the PRC. We plan to leverage our competitive strengths and implement the following strategies: (i) expansion of production capacities; (ii) replacement of machines in our existing production lines; (iii) enhancement of marketing effort, increasing our sales through e-commerce channel and expansion of our distribution network; and (iv) expansion and enhancement of our product offerings through continuous product development efforts.

Historically, we are a confectionary products manufacturer in the PRC. We have focused on manufacturing and selling confectionary products, including gum-based candies, tablet candies, aerated candies and hard candies. We own and operate our production facilities for manufacture of our confectionary products with a view to control our product quality, production costs and production schedule directly. We believe that production facilities, product development and quality control are crucial to our competitiveness and success. Thus, we will put significant emphasis on purchasing and introducing new production lines, purchasing new equipment and machines for replacement of existing machines and equipment. We will also emphasis on product development and will commit to enhancing product quality to cater for changing consumer preferences and enhancing our product offerings.

One of our business strategies is to leverage on our production and product development capacities and experience in the manufacture and sale of our own-branded products, we manufacture and sell our confectionary products under brands owned or licenced by OEM customers in the PRC and to overseas countries. To enhance our marketing, we will engage a marketing firm for promotion of our brands to strengthen our market position in the confectionary industry in the PRC and enhance our brand recognition and awareness, so as to increase our sales through e-commerce channel and enhance our distribution network.

We believe that above business strategies will take advantage of the business opportunities and explore new markets with significant growth potential in the PRC. Looking ahead, the Group will endeavor to strengthen the development of its businesses to provide steady return as well as growth prospects for the Company's shareholders.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue decreased by approximately 3.1% from approximately RMB414.1 million for the year ended 31 December 2019 to approximately RMB401.2 million for the year ended 31 December 2020. The decrease in revenue was mainly attributable to the decrease in sales order of OEM customers as affected by the outbreak of COVID-19, especially for customers in Europe.

### **Cost of sales**

The Group's cost of sales mainly comprised of (i) direct materials costs, (ii) production costs; and (iii) direct labour costs. For the years ended 31 December 2019 and 2020, the cost of sales amounted to approximately RMB283.7 million and RMB273.5 million, respectively, representing a decrease of approximately 3.6%, which was in line with the decrease in revenue by approximately 3.1% for the same year.

## **Gross profit**

The Group's gross profit, which equals to the revenue minus cost of sales, for the year ended 31 December 2020 was approximately RMB127.8 million, representing a decrease of approximately 2.0% from approximately RMB130.4 million for the year ended 31 December 2019. The decrease in gross profit was mainly due to the decrease in the overall sales volume because of the outbreak of COVID-19 while the certain fixed components of cost of sales such as depreciation expenses of machinery and production staff costs were still incurred.

## **Other gain and income or (loss), net**

The Group's other gain and income increased from approximately RMB0.2 million for the year ended 31 December 2019 to approximately RMB0.4 million for the year ended 31 December 2020. The increase in other gain and income was mainly due to the one-off reversal of allowance for expected credit losses on trade receivables during the year.

## **Administrative expenses**

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, Listing (defined as below) expenses and office expenses. The Group's administrative expenses decreased from approximately RMB24.5 million for the year ended 31 December 2019 to approximately RMB20.4 million for the year ended 31 December 2020, representing a decrease of approximately 16.7%. The decrease in administrative expenses was mainly attributable to the decrease of Listing (defined as below) expenses from approximately RMB7.5 million for the year ended 31 December 2019 to approximately RMB1.4 million for the year ended 31 December 2020.

## **Income tax expenses**

The Group's income tax expenses were stable at RMB16.0 million and RMB16.1 million for the years ended 31 December 2019 and 2020.

## **Finance costs**

The Group's finance costs decreased from approximately RMB14.5 million for the year ended 31 December 2019 to approximately RMB13.6 million for the year ended 31 December 2020. The decrease in finance costs was mainly attributable to the lower average amount of bank borrowing during the year.

## **Profit**

The Group recorded a profit of approximately RMB44.1 million for the year ended 31 December 2020 as compared to a profit of approximately RMB43.2 million for the corresponding year in 2019.

## **Use of net proceeds from the Listing**

The net proceeds (the “**Net Proceeds**”) from the Listing, after deducting the underwriting fees and commissions and estimated expenses paid by the Company in connection thereto, were approximately HK\$79.0 million. Since the listing on the Stock Exchange (the “**Listing**”) only took place on 16 March 2021 (the “**Listing Date**”), the Net Proceeds had not been applied for during the year ended 31 December 2020.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital structure**

For the change in the capital structure of the Group from 31 December 2020 to the Listing Date, please refer to the section headed “Share Capital” of the Prospectus, and there has been no material change in the capital structure of the Company since the Listing Date.

### **Cash position**

At 31 December 2020, the cash and cash equivalents of the Group amounted to approximately RMB28.5 million, representing a decrease of approximately 24.4% from approximately RMB37.7 million at 31 December 2019. The decrease was mainly due to the use of cash as working capital and the payment of the expenses in connection to the Listing.

### **Borrowings**

At 31 December 2020, the total borrowings of the Group, all of which were denominated in Renminbi (“**RMB**”), amounted to approximately RMB218.9 million (at 31 December 2019: approximately RMB230.0 million). Among the borrowings,

1. approximately RMB40.0 million (as at 31 December 2019: RMB40.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 6.09% and was secured by independent third parties.
2. approximately RMB147.4 million (at 31 December 2019: RMB151.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 5.66%–5.87% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB27.0 million (at 31 December 2019: RMB28.5 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.22% and was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company and corporate guarantee by independent third parties. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.



4. approximately RMB4.5 million (at 31 December 2019: RMB5.0 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging at 5.00% and was secured by personal guarantee by directors of the Company and personal guarantee by the related parties of the Company. The personal guarantee by Directors and related parties of the Company has been released on 17 March 2021.
5. Approximately RMB5.0 million bills payable at 31 December 2019 and were fully redeemed before 31 December 2020.

### **Pledge of assets**

At 31 December 2020, the Group has pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB23,406,000 (2019: RMB23,985,000); (ii) the building with carrying amount of RMB118,540,000 (2019: RMB122,610,000); (iii) plant and machinery with carrying amount of RMB56,623,000 (2019: RMB65,347,000).

### **Gearing ratio**

At 31 December 2020, the gearing ratio of the Group was approximately 84.1% (as at 31 December 2019: approximately 106.6%). The decrease was mainly due to the redemption of bills payable and increase in amount of the equity attributable to owners of the Company during the year. The gearing ratio is calculated based on the bank borrowings and bills payable divided by the equity attributable to owners of the Company at the end of the respective year.

### **Capital structure**

For the change in the capital structure of the Group from 31 December 2020 to the Listing Date, please refer to the section headed “Share Capital” of the Prospectus, and there has been no material change in the capital structure of the Company since the Listing Date.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had 504 employees (at 31 December 2019: 494 employees). Remuneration of employees (excluding the Directors) is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. The Remuneration Committee reviews and determines the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. As incentives or rewards for their contribution to the Group, the Group has adopted the share option scheme and may grant options under the share option scheme to reward its employees, the Directors and other selected participants for their contributions to the Group.

The Directors are of the view that employees are one of the keys to the sustainable development of the Group. The Directors believe that the Group maintains good working relations with its employees.

Employees are regarded as the most important and valuable assets of the Group. We provide various types of training to our employees, including (i) conducting in-house continuous professional development seminars; and (ii) provision of safety training programmes to enhance their safety awareness.

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had capital commitment of approximately RMB15,000,000 in respect of acquisition of property, plant and equipment.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

There was no other material acquisition or disposal of subsidiaries, associates or joint ventures. Save for the group reorganisation as disclosed in note 2 to the consolidated financial statement during the year ended 31 December 2020.

## **SIGNIFICANT INVESTMENTS HELD**

As at 31 December 2020, the Group did not hold any significant investments.

## **CONTINGENT LIABILITIES**

At 31 December 2020, the Group had no significant contingent liabilities (at 31 December 2019: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

As at 31 December 2020, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates or under foreign exchange contracts, interest, currency swaps or other financial derivatives.

## **TREASURY AND RISK MANAGEMENT**

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

At 31 December 2020, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

At 31 December 2019 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

## **Trade receivables**

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for determination of credit limits and credit approvals. The Group's monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In addition, the Group performs impairment assessment under the expected credit loss (“**ECL model**”) upon application of HKFRS 9 (2019: ECL model) on credit card trade receivables individually and the remaining trade receivables are grouped using a provision matrix with past due status grouping. In this regard, the directors consider that the Group's credit risk is significantly reduced.

## **Other receivables**

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information under ECL model upon application of HKFRS 9 (2019: ECL model). The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

## **Cash and cash equivalents**

The Group deposited its cash with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. The directors monitor the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk were minimal.

The Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

## **LITIGATIONS**

At 31 December 2020, the Group is not engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance pending or threatened by or against any member of the Group.

## **DIVIDEND**

The Board has resolved not to declare any final dividend for the year ended 31 December 2020.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. As the shares of the Company were not listed on the Stock Exchange during the Reporting Period, the Corporate Governance Code as set out in Appendix 14 (the “**CG Code**”) to the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”) was not applicable to the Group during the Reporting Period. Since the Listing Date, the Company has adopted the code provisions as set out in the CG Code, and has complied with all the applicable code provisions throughout the period from the Listing Date up to the date of this announcement, except for the deviations of Code Provisions A.2.1.

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

Paragraph A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Zhenzhong is the chairman and the chief executive officer of the Company. Considering that Mr. Zheng Zhenzhong has been operating and managing the Group since 1999, the Board believes that it is in the best interest of the Group to have Mr. Zheng taking up both roles for effective management and business development. Therefore, the Board considers that the deviation from paragraph A.2.1 of the Code is appropriate in such circumstance.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 of the Listing Rules. The Company periodically issues notices to its Directors reminding them to the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results of the Group. Having made specific enquiry of the Directors, all Directors have complied with the required standard of dealings and the Company’s code of conduct regarding securities transactions by the directors throughout the period under review. The Company was not aware of any non-compliance in this respect since of the Listing Date.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has since the Listing Date adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as its own code of conduct for dealing in the securities of the Company by the Directors. Following a specific enquiry made by the Company with each of the Directors, all of them confirmed that they had complied with the required standards as set out in the Model Code from the Listing Date up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

## **PUBLIC FLOAT**

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this announcement. The Company maintained the minimum level of public float of 25% of its total issued share capital.

## **EVENTS AFTER THE REPORTING PERIOD**

For details of the event after the reporting, please refer to Note 15 of the consolidated financial statements.

## **SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED**

The figures set out in the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto disclosed in the annual results announcement of the Group for the year ended 31 December 2020 have been agreed by the Company's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited in this preliminary announcement.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The Company has established the audit committee with written terms of reference in compliance with the Listing Rules to fulfil the functions of reviewing and monitoring the financial reporting and internal control of the Company. The audit committee currently consists of three independent non-executive Directors, namely, Mr. Wu Shiming, Mr. Wang Linan and Mr. Chen Congming and Mr. Wu Shiming is the chairman of the audit committee.

The audit committee has reviewed with the management of the Company the annual results and the accounting principles and practices adopted by the Group and discussed auditing, risk management, internal control and financial statements matters, including the review of the consolidated financial statements of the Group for the year ended 31 December 2020.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The annual results announcement has been published on the websites of the Stock Exchange ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company ([www.jiujiuwang.com](http://www.jiujiuwang.com)). The annual report of the Company for the Reporting Period, which contains all information required by the Listing Rules, will be dispatched to the Company's shareholders and published on the websites of the Stock Exchange and the Company in due course.

## **ANNUAL GENERAL MEETING**

The annual general meeting of shareholders ("**2021 AGM**") will be held on Tuesday, 25 May 2021, while the notice and circular convening the 2021 AGM will be published and dispatched to the Company's shareholders in the form required in the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the entitlement of the shareholders of the Company (the "Shareholders") to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Thursday, 20 May 2021 to Tuesday, 25 May 2021, both days inclusive.

During this period, no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all share transfer documents accompanied by the relevant share certificates for registration must be lodged with the Company's Hong Kong 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 18 May 2021.

By Order of the Board  
**Jiujiuwang Food International Limited**  
**Zheng Zhenzhong**  
*Chairman and executive Director*

Hong Kong, 30 March 2021

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Zheng Zhenzhong, Mr. Zheng Guosi and Mr. Chen Kan as executive Directors, and Mr. Wang Linan, Mr. Wu Shiming and Mr. Chen Congming as independent non-executive Directors.*