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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)

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Jiujiuwang Food International Limited (the “Company”) is pleased to announce the interim results of the Company and its subsidiaries (collectively, the “Group”, “We” and “Our”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4	190,350	169,870
Cost of sales		(128,971)	(118,777)
Gross profit		61,379	51,093
Other income and gain, net	5	824	376
Selling expenses		(15,181)	(13,839)
Administrative expenses		(22,919)	(8,983)
Finance costs	6	(6,262)	(7,071)
Profit before taxation	7	17,841	21,576
Taxation	8	(8,484)	(5,865)
<b>Profit for the period</b>		<b>9,357</b>	<b>15,711</b>
<b>Profit for the period attributable to owners of the Company</b>		<b>9,357</b>	<b>15,711</b>
Items that may be reclassified subsequently to profit or loss:			
Exchange difference translation of foreign operations		(510)	(240)
Other comprehensive expense for the period, net of tax		(510)	(240)
Total comprehensive income for the period attributable to owners of the Company		<b>8,847</b>	<b>15,471</b>
<b>Earnings per share attributable to owners of the Company</b>			
Basic and diluted (RMB cents)	10	<b>1.3</b>	<b>2.6</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2021*

	<i>Notes</i>	<b>30 June 2021</b>	31 December 2020
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>244,982</b>	233,500
Right-of-use assets		<b>23,117</b>	23,406
Deferred tax assets		<b>120</b>	120
		<hr/> <b>268,219</b>	<hr/> 257,026
<b>Current assets</b>			
Inventories		<b>89,217</b>	81,199
Trade receivables	<i>11</i>	<b>108,053</b>	97,370
Prepayments and other receivables		<b>59,273</b>	45,410
Cash and cash equivalents		<b>81,512</b>	28,468
		<hr/> <b>338,055</b>	<hr/> 252,447
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>12</i>	<b>1,720</b>	5,067
Accruals and other payables		<b>11,864</b>	11,083
Contract liabilities		<b>369</b>	1,056
Bank borrowings		<b>218,375</b>	218,920
Amount due to a director		<b>7,731</b>	8,309
Tax payables		<b>4,500</b>	4,374
		<hr/> <b>244,559</b>	<hr/> 248,809
<b>Net current assets</b>		<hr/> <b>93,496</b>	<hr/> 3,638
<b>Total assets less current liabilities</b>		<hr/> <b>361,715</b>	<hr/> 260,664
<b>Net assets</b>		<hr/> <b>361,715</b>	<hr/> 260,664
<b>EQUITY</b>			
Share capital	<i>13</i>	<b>532</b>	350
Reserves		<b>361,183</b>	260,314
		<hr/> <b>361,715</b>	<hr/> 260,664
<b>Total equity</b>		<hr/> <b>361,715</b>	<hr/> 260,664

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. 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 six months 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:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC	172,238	155,478
Asia (excluding PRC) (Note 1)	6,311	5,129
Europe (Note 2)	9,826	9,263
Others (Note 3)	1,975	–
	<u>190,350</u>	<u>169,870</u>

Notes:

- (1) Included Philippines, United Arab Emirates, Korea, Indonesia and Vietnam.
- (2) Included Germany, Poland, the United Kingdom, Lithuania, Czech Republic, Denmark, Spain, Italy, France and Belgium.
- (3) Included Australia, Argentina, Brazil and Ecuador.

## Information about major customers

Revenue from major customers, contributing over 10% or more of the total sales of the Group during the six months ended 30 June 2021 and 2020 are as follow:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Customer A	40,023	27,716
Customer B	<u>21,348</u>	<u>22,668</u>

As at 30 June 2021 and 2020, 41.1% and 42.5% respectively of the Group's trade receivable were due from those customers.

#### 4. 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 period, and is analysed as follow:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Analysed by type of products		
OEM products	81,359	68,808
Own-branded products		
— Coolsa	91,320	80,479
— Lalabo	14,966	16,847
— Jiujiuwang	2,705	3,736
	<u>190,350</u>	<u>169,870</u>

Transaction prices are fixed in respective contracts. Unsatisfied performance obligations at 30 June 2021 and 2020 have expected duration of less than one year and are thus not disclosed as permitted under HKFRS 15.

#### 5. OTHER INCOME AND GAIN, NET

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Bank interest income	56	50
Exchange gain	160	275
Rental income	13	13
Government grants	595	38
	<u>824</u>	<u>376</u>

#### 6. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest expenses on — bank borrowings wholly repayable within five years	<u>6,262</u>	<u>7,071</u>

## 7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Cost of inventories recognised as expenses	102,828	93,846
Depreciation of property, plant and equipment	8,155	8,277
Depreciation of right-of-use assets	289	289
Employee benefit expenses (including directors' emoluments)	21,773	19,438
Net allowance for expected credit losses on trade receivables	–	829
Listing expenses	15,924	560

## 8. TAXATION

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
The taxation charge comprises:		
Current tax		
— PRC Enterprise Income Tax	8,484	6,072
Deferred taxation	–	(207)
Total tax expenses for the period	8,484	5,865

### 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 period (2020: 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.

## 9. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (2020: Nil).

## 10. 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>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted loss per share	<u>9,357</u>	<u>15,711</u>
	<i>'000</i>	<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>710,600</u>	<u>594,000</u>

For the six months ended 30 June 2021, the 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 and the addition of 198,000,000 shares in issue pursuant to the Global Offering on 16 March 2021.

For the six months ended 30 June 2020, the 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.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existences during the six months ended 30 June 2021 and 2020.

## 11. TRADE RECEIVABLES

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Trade receivables	<b>108,533</b>	97,850
Less: allowance for expected credit losses	<u>(480)</u>	<u>(480)</u>
	<u><b>108,053</b></u>	<u>97,370</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>30 June 2021 RMB'000 (unaudited)</b>	31 December 2020 RMB'000 (audited)
Within 30 days	<b>35,075</b>	37,174
31–60 days	<b>18,434</b>	29,767
61–90 days	<b>17,512</b>	18,011
91–180 days	<b>37,032</b>	12,418
181–365 days	–	–
Over 365 days	–	–
	<b>108,053</b>	<b>97,370</b>

## 12. TRADE PAYABLES

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

	<b>For the six months ended 30 June</b>	
	<b>2021 RMB'000 (unaudited)</b>	2020 RMB'000 (unaudited)
Within 30 days	<b>1,060</b>	3,724
31–60 days	<b>660</b>	1,343
61–90 days	–	–
91–180 days	–	–
181–365 days	–	–
Over 365 days	–	–
	<b>1,720</b>	<b>5,067</b>

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



### 13. SHARE CAPITAL

	<b>30 June 2021</b>	31 December 2020	<b>30 June 2021</b>	31 December 2020
	<i>Number '000</i>	<i>Number '000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<b>(unaudited)</b>	(audited)	<b>(unaudited)</b>	(audited)
Authorised:				
As at 1 January	<b>515</b>	515	<b>52</b>	52
Share subdivision ( <i>Note i</i> )	<b>1,999,485</b>	–	<b>148</b>	–
As at 30 June 2020/31 December 2020	<b>2,000,000</b>	515	<b>200</b>	52
Issued and fully paid:				
As at 1 January	<b>515</b>	515	<b>52</b>	52
Share subdivision ( <i>Note i</i> )	<b>514,949</b>	–	–	–
Shares issued under the Capitalisation Issue ( <i>Note ii</i> )	<b>78,536</b>	–	<b>8</b>	–
Shares issued pursuant to the Global Offering ( <i>Note iii</i> )	<b>198,000</b>	–	<b>20</b>	–
As at 30 June 2020/31 December 2020	<b>792,000</b>	515	<b>80</b>	52
Show in the consolidated statement of financial position ( <i>in RMB'000</i> )			<b>532</b>	<b>350</b>

*Notes:*

- (i) On 10 February 2021, the Company resolved that, among others, (i) the authorised share capital of our Company be increased from US\$51,546.4 to US\$200,000 by the creation of an additional 1,484,536 Shares of US\$0.1 each ranking pari passu in all aspects with the existing issued Shares and (ii) immediately thereafter all the issued and unissued Shares at a par value of US\$0.1 each be subdivided into 1,000 Shares at a par value of US\$0.0001 each such that the authorised share capital of our Company shall be US\$200,000 divided into 2,000,000,000 Shares at a par value of US\$0.0001 each and the issued share capital of our Company shall be US\$51,546.4 divided into 515,464,000 Shares at a par value of US\$0.0001 each.
- (ii) Pursuant to a written resolution of the shareholders of the Company (the “Shareholders”) passed on 18 February 2021, subject to the share premium account of the Company being credited as a result of the global offering of the Company’s shares, the Directors were authorised to allot and issue a total of 78,536,000 shares credited as fully paid at par to the then Shareholders by way of capitalisation of an amount of approximately HK\$61,000 (equivalent to RMB51,000) standing to the credit of the share premium account of the Company.
- (iii) On 16 March 2021, the Company issued 198,000,000 ordinary shares of US\$0.0001 each at a price of HK\$0.75 each pursuant to the global offering. Gross proceeds amounting to HK\$148,500,000 (equivalent to approximately RMB124,389,000) was raised from the global offering, of which approximately HK\$156,000 (equivalent to approximately RMB131,000) and HK\$148,344,000 (equivalent to approximately RMB124,258,000) was credited to the share capital and share premium account respectively. Listing expenses of approximately RMB32,185,000 was deducted from the share premium account.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

We are a confectionary products manufacturer in the People's Republic of China (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 six months ended 30 June 2021, the Group recorded a profit of approximately RMB9.4 million as compared to a profit of approximately RMB15.7 million for the corresponding period in 2020. The decrease was mainly due to the net effect of (i) the increase in expenses of listing (the "Listing") on the Stock Exchange on 16 March 2021 of approximately RMB15.3 million and (ii) the increase in gross profit of approximately RMB10.3 million, which was in line with the increase in revenue for the same period.

Since the outbreak of the epidemic caused by the COVID-19, major cities in the PRC have taken emergency public health measures. Our Group has implemented various measures in response to the COVID-19 epidemic. Looking forward, we will endeavor to strengthen the development of our existing business and to provide steady return as well as growth prospect for the Shareholders.

### FINANCIAL REVIEW

#### Revenue

The Group's revenue increased by approximately 12.1% from approximately RMB169.9 million for the six months ended 30 June 2020 to approximately RMB190.4 million for the six months ended 30 June 2021. The increase in revenue was mainly attributable to (i) the increase in OEM products as a result of the increase in our sales of the confectionary products to Gary & Bros Confectionary; and (ii) the increase in the sales volume of the products under Coolsa brand.

#### 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 six months ended 30 June 2021 and 2020, the cost of sales amounted to approximately RMB129.0 million and RMB118.8 million, respectively, representing an increase of approximately 8.6%, which was in line with the increase in revenue for the same period.

## **Gross profit**

The Group's gross profit, which equals to the revenue minus cost of sales, for the six months ended 30 June 2021 was approximately RMB61.4 million, representing an increase of approximately 20.2% from approximately RMB51.1 million for the six months ended 30 June 2020. The increase in gross profit was in line with the increase in revenue for the same period. The Group's gross profit margin amounted to approximately 32.2% and 30.0% for the six months ended 30 June 2021 and 2020, respectively.

## **Other income and gain, net**

The Group's other income and gain, net increased from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB0.8 million for the six months ended 30 June 2021. The increase in other income and gain, net was mainly due to the increase in government grant.

## **Selling expenses**

The Group's selling expenses mainly comprised of marketing and promotion expenses, staff costs, travelling expenses, and office expenses and others. The Group's selling expenses increased from approximately RMB13.8 million for the six months ended 30 June 2020 to approximately RMB15.2 million for the six months ended 30 June 2021. The increase in selling expenses was mainly due to the increase in marketing and promotion activities to our products during the period.

## **Administrative expenses**

The Group's administrative expenses mainly comprised of depreciation and amortisation expenses, taxes and stamp duty, staff costs, Listing expenses and office expenses. The Group's administrative expenses increased from approximately RMB9.0 million for the six months ended 30 June 2020 to approximately RMB22.9 million for the six months ended 30 June 2021, representing an increase of approximately 154.4%. The increase in administrative expenses was mainly attributable to the increase of Listing expenses from approximately RMB0.6 million for the six months ended 30 June 2020 to approximately RMB15.9 million for the six months ended 30 June 2021.

## **Income tax expenses**

The Group's income tax expenses were approximately RMB5.9 million and RMB8.5 million for the six months ended 30 June 2020 and 2021, respectively. The increase was mainly due to the increase in taxable profit, after excluding non-deductible Listing expense for the six months ended 30 June 2021.

## Finance costs

The Group's finance costs decreased from approximately RMB7.1 million for the six months ended 30 June 2020 to approximately RMB6.3 million for the six months ended 30 June 2021. The decrease in finance costs was mainly attributable to lower average amount of bank borrowing during the period.

## Profit

The Group recorded a profit of approximately RMB9.4 million for the six months ended 30 June 2021 as compared to a profit of approximately RMB15.7 million for the corresponding period in 2020. The decrease was mainly due to the net effect of (i) the increase in Listing expenses of approximately RMB15.3 million during the period; and (ii) the increase in gross profit of approximately RMB10.3 million, which was in line with the increase in revenue for the same period.

## Use of net proceeds

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\$75.7 million. After the Listing, these proceeds were and will be used for the purposes in accordance with the future plans as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The Net Proceeds as at 30 June 2021 were used as follows:

	Allocation of the IPO Proceeds <i>HK\$ million</i>	Utilised IPO Proceeds as at 30 June 2021 <i>HK\$ million</i>	Unutilised IPO Proceeds as at 30 June 2021 <i>HK\$ million</i>	Expected timeline for utilising the remaining unused Net Proceeds <i>(Note)</i>
Expansion of production capacities	40.3	8.1	32.2	December 2023
Replacement of machines in existing production lines	20.1	20.1	–	N/A
Partial repayment of bank loans	6.3	–	6.3	December 2021
Enhancement of marketing efforts	6.7	4.7	2.0	August 2021
General working capital	2.3	2.3	–	N/A
	<u>75.7</u>	<u>35.2</u>	<u>40.5</u>	

*Notes:*

(a) The unused proceeds are deposited in a licensed bank in PRC.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Saved as disclosed in the prospectus of the Group dated 26 February 2021 (the “**Prospectus**”), the Group did not have other plans for material investments and capital assets as at 30 June 2021.

## **LIQUIDITY AND FINANCIAL RESOURCES**

### **Capital structure**

There has been no material change in the capital structure of the Company for the six months ended 30 June 2021.

### **Cash position**

At 30 June 2021, the cash and cash equivalents of the Group amounted to approximately RMB81.5 million, representing an increase of approximately 186.0% from approximately RMB28.5 million at 31 December 2020. The increase was mainly due to the Net Proceed.

### **Borrowings**

At 30 June 2021, the total borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB218.4 million (at 31 December 2020: approximately RMB218.9 million). Among the borrowings,

1. approximately RMB40.0 million (as at 31 December 2020: 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 2020: RMB147.4 million) was derived from the bank borrowings from the PRC bank which bears interest rate ranging from 3.35%–5.87% and was secured by right-of-use assets and property, plant and equipment of the Company.
3. approximately RMB26.5 million (at 31 December 2020: RMB27.0 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 the related parties of the Company and corporate guarantee by independent third parties.
4. approximately RMB4.5 million (at 31 December 2020: RMB4.5 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 the related parties of the Company.

## **Pledge of assets**

At 30 June 2021, the Group had pledged certain assets to secure facilities granted to the Group included (i) the right-of-use assets with carrying amount of RMB23,117,000 (2020: RMB23,406,000); (ii) the building with carrying amount of RMB116,506,000 (2020: RMB118,540,000); and (iii) plant and machinery with carrying amount of RMB52,261,000 (2020: RMB56,623,000).

## **Gearing ratio**

At 30 June 2021, the gearing ratio of the Group was approximately 60.4% (as at 31 December 2020: approximately 84%). The decrease was mainly due to the increase in amount of the total equity of the Group during the period. The gearing ratio is calculated based on the bank borrowings and bills payable divided by the total equity of the Group at the end of the respective period.

## **DIVIDEND**

The Board has resolved not to declare the payment of a dividend for the six months ended 30 June 2021 (2020: Nil).

## **COMMITMENTS**

As at 30 June 2021, the Group had capital commitment of approximately RMB20.3 million 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 during the period between 31 December 2020 and 30 June 2021.

## **SIGNIFICANT INVESTMENTS HELD**

As at 30 June 2021, the Group did not hold any significant investments.

## **CONTINGENT LIABILITIES**

At 30 June 2021, the Group had no significant contingent liabilities (at 31 December 2020: Nil).

## **FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES**

As at 30 June 2021, 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 30 June 2021, the Group's credit risk is primarily attributable to trade receivables, other receivables and cash and cash equivalents.

At 30 June 2021 and 31 December 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 ECL model upon application of HKFRS 9 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. 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.



## **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 Shareholders.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. The Company has adopted and has complied with all the applicable code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the period, except for the deviations of paragraph A.2.1 of the CG Code, which is explained in the paragraph below.



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. Currently, Mr. Zheng Zhenzhong (“**Mr. Zheng**”) is our chairman and also the chief executive officer of our Company and he has been managing our Group’s business and supervising the overall operations of our Group since its establishment. Having considered (i) the nature and extent of our Group’s operations; (ii) Mr. Zheng’s in-depth knowledge and experience in the confectionary industry and familiarity with the operations of our Group which is beneficial to the management and business development of our Group; and (iii) all major decisions are made in consultation with members of our Board and relevant Board committees, which consist of three independent non-executive Directors on our Board offering independent perspectives, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers and authorities between our Board and the management of our Company and that it is in the best interest of our Group to have Mr. Zheng taking up both roles. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

## **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 to the Listing Rules. The Company periodically issues notices to the 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 during the six months ended 30 June 2021.

## **COMPETING BUSINESS**

Save as disclosed in the Prospectus and this announcement, the Directors are not aware of any business or interest of the Directors or the controlling Shareholders or any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group during the six months ended 30 June 2021.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

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## **SHARE OPTION SCHEME**

The Company has adopted a share option scheme (the “**Share Option Scheme**”) on 18 February 2021. The principal terms of the Share Option Scheme was summarised in the section headed “Share Option Scheme” in Appendix IV to the Prospectus. The purpose of the Share Option Scheme is to enable the Company to grant options to selected persons as incentives or rewards for their contribution or future contribution to the Group. During the six months ended 30 June 2021, no option was granted, exercised, cancelled or lapsed under the Share Option Scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the ordinary shares of the Company (the “**Shares**”) between 31 December 2020 and the date of this announcement.

## **EVENT AFTER REPORTING PERIOD**

There has been no significant event that affected the Group after 30 June 2021 and up to the date of this announcement.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted the required standard of dealings, as set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry with all the Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the six months ended 30 June 2021.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”), comprising three independent non-executive Directors, namely Mr. Wu Shiming, Mr. Wang Linan and Mr. Chen Congming, together with the management of the Company, have reviewed the accounting principles and policies adopted by the Group and discussed internal controls and financial reporting matters and the unaudited consolidated financial statements for the six months ended 30 June 2021. The Audit Committee has also reviewed this announcement and is of the opinion that such financial statements of the Group for the six months ended 30 June 2021 comply with the applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

On behalf of the Board  
**Jiujiuwang Food International Limited**  
**Zheng Zhenzhong**  
*Chairman and executive Director*

Hong Kong, 24 August 2021

*As at the date of this announcement, the Board 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.*